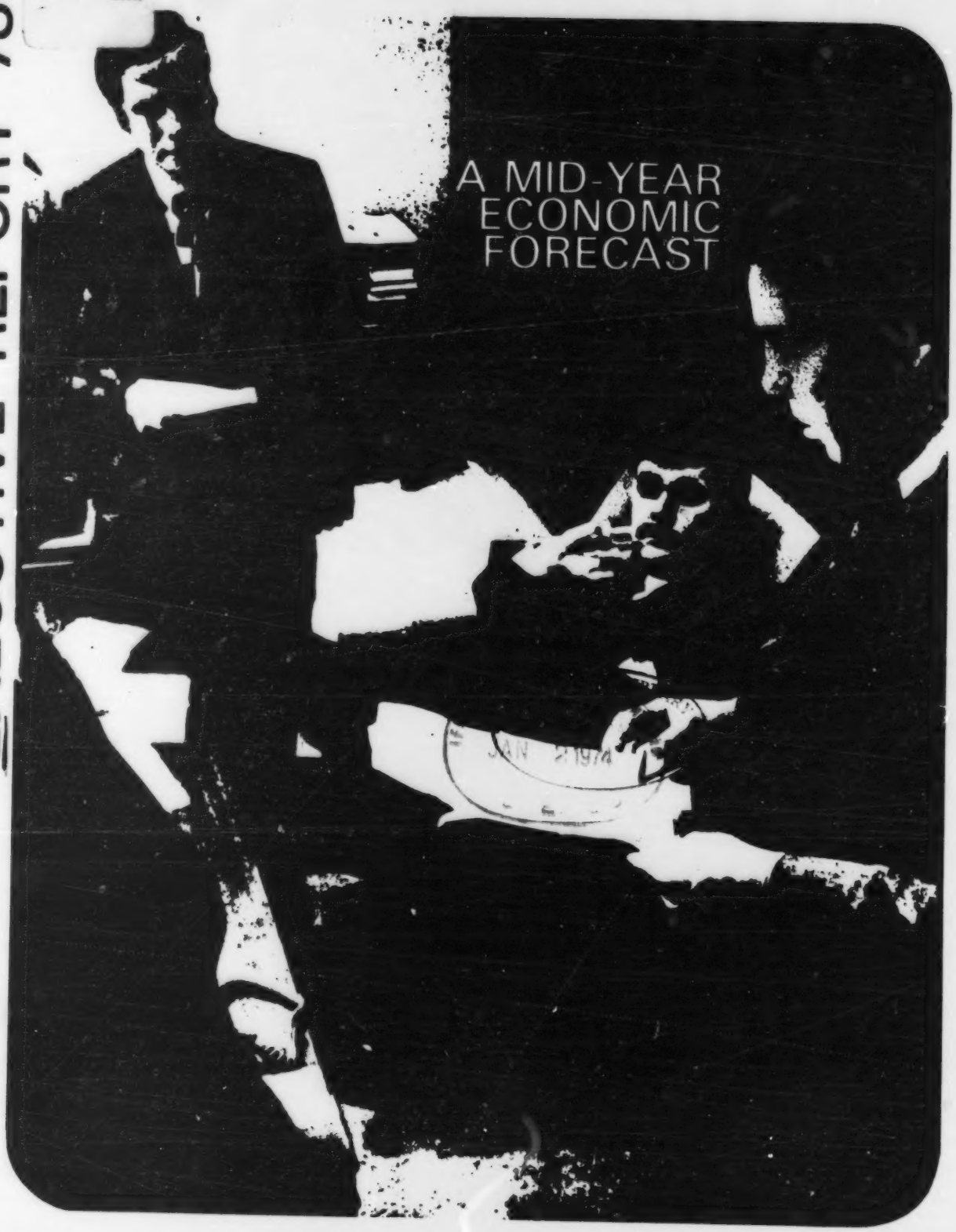
Alberta
Tech Coll

EXECUTIVE REPORT '73



A MID-YEAR ECONOMIC FORECAST

JAN 2 1974

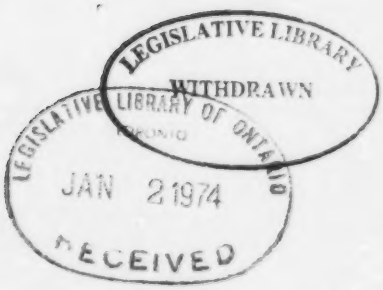
Alberta
INDUSTRY AND COMMERCE

101-065677

1972 OP

"Executive Report - 1973"

... a mid-year economic forecast"



A Publication of the
Alberta Industry and Commerce

November, 1973

FOREWARD

The "mid-year economic forecast" edition of Executive Report-1973 focuses on the prospects for the Alberta economy. The purpose of the Executive Report series is to provide businessmen with a forecast for the Alberta economy which we trust will assist in planning business activities for the balance of 1973 and for 1974.

The material and statistics used in this analysis were derived from a variety of sources. Included are: Alberta Bureau of Statistics; Alberta Energy Resources Conservation Board; Alberta Agriculture; Alberta Lands and Forests; Oilweek magazine; Cana Data Division, Southam Business Publications Ltd.; and various other industry reports. Please note that Statistics Canada data are presented throughout the report unless otherwise indicated.

Several items have been introduced to this year's report: notably a revision of the Alberta Industrial Activity Index, a review and forecast of Alberta's Gross Domestic Product, and the discussion of the Transportation and Travel Industries within the sector analysis section.

Please direct all inquiries and comments to:

Economic Research and Analysis Branch,
Alberta Industry and Commerce,
1629 Centennial Building,
Edmonton, Alberta. T5J 0H4

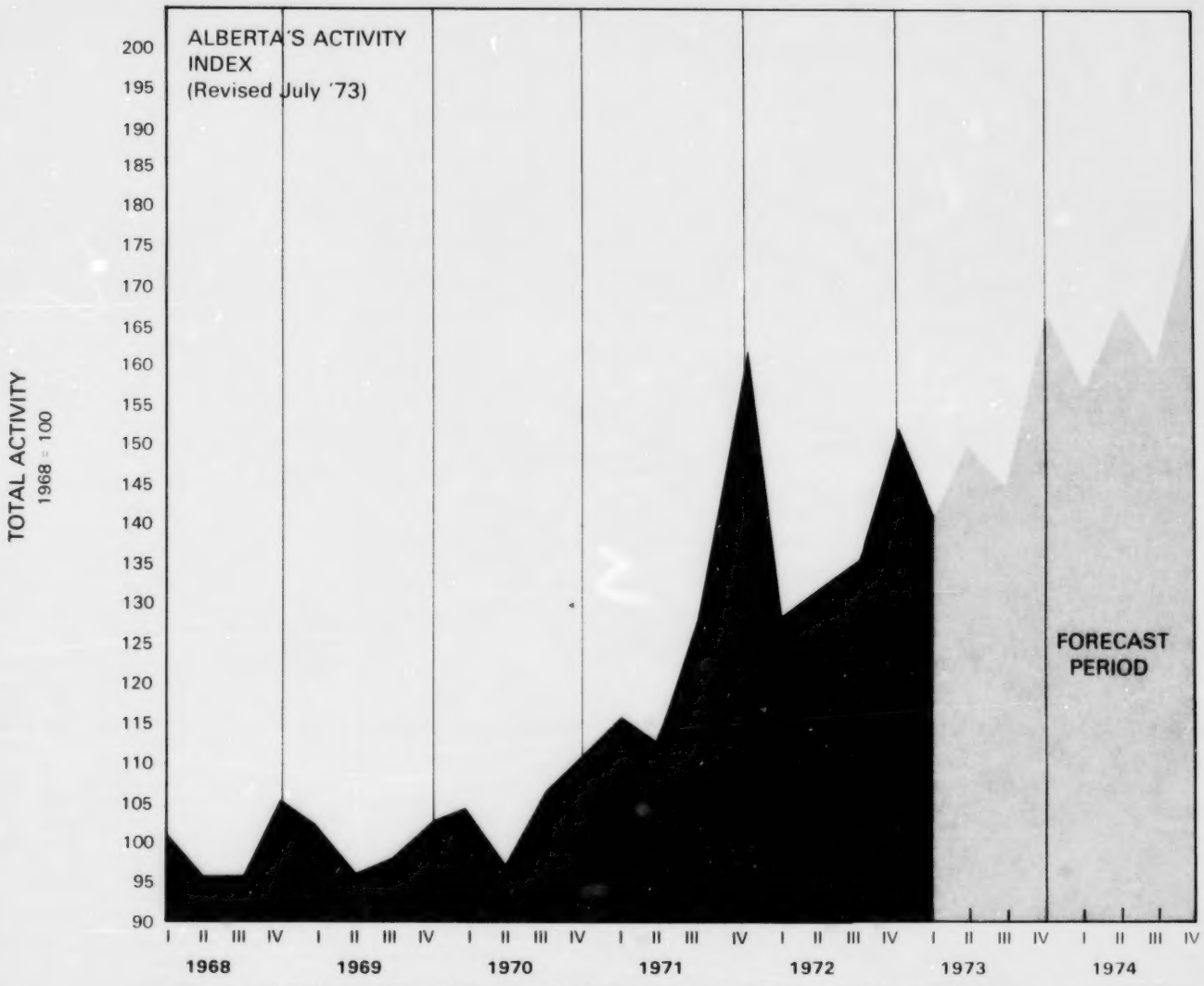
Telephone: (403) 424-1127

Attention: Mr. D.T. Munroe, Economist

TABLE OF CONTENTS

	Page
SUMMARY	2
ECONOMIC ACTIVITY IN ALBERTA	11
Gross Domestic Product	11
Alberta's Industrial Activity Index	11
Consumer Spending	12
The Labour Force	14
SECTORAL ANALYSIS AND OUTLOOK	19
Manufacturing	19
Mining	24
Petroleum	26
Natural Gas	29
Sulphur	31
Coal	33
Agriculture	36
Construction	43
Forestry	49
Transportation	55
Travel	57

INDEX OF TOTAL INDUSTRIAL ACTIVITY ALBERTA, 1968 - 1974 (1968 = 100)



NOTE THE TOTAL ACTIVITY INDEX IS A COMPOSITE OF THE SECTOR INDEXES, WEIGHTED BY "VALUE ADDED" TO THE ALBERTA ECONOMY. THE INDEX WAS REVISED IN JULY, 1973. PLEASE SEE APPENDIX FOR DETAILS.

THE ALBERTA ACTIVITY INDEX — BY QUARTER — 1968 - 1974

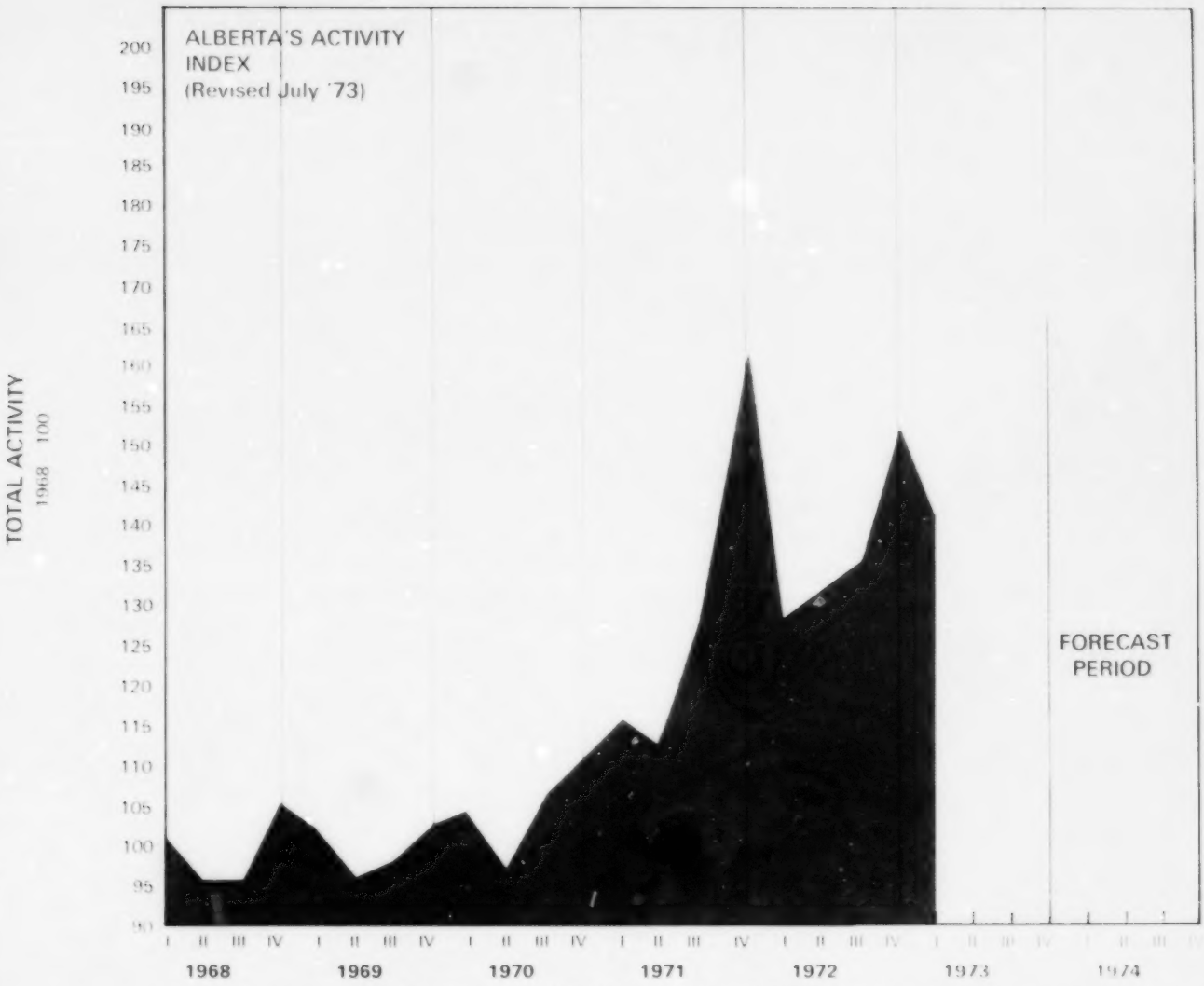
(1968 = 100)

Year/Quarter	I	II	III	IV	Average
1968	101.8	96.1	96.1	105.7	100.0
1969	102.8	96.6	98.3	103.2	100.2
1970	104.7	97.1	106.5	111.6	104.9
1971	116.5	113.5	127.7	163.8	130.4
1972	128.9	132.6	135.3	152.2	137.3
1973*	141.0	150.2	145.1	167.7	151.0
1974*	157.6	167.9	161.3	181.1	167.1

* Forecast.

710 ø

INDEX OF TOTAL INDUSTRIAL ACTIVITY ALBERTA, 1968 - 1974 (1968 = 100)



NOTE: THE TOTAL ACTIVITY INDEX IS A COMPOSITE OF THE SECTOR INDEXES WEIGHTED BY VALUE ADDED TO THE ALBERTA ECONOMY. THE INDEX WAS REVISED IN JULY 1973. PLEASE SEE APPENDIX FOR DETAILS.

THE ALBERTA ACTIVITY INDEX — BY QUARTER — 1968 - 1974

(1968 = 100)

Year/Quarter	I	II	III	IV	Average
1968	101.8	96.1	96.1	105.7	100.0
1969	102.8	96.6	98.3	103.2	100.2
1970	104.7	97.1	106.5	111.6	104.9
1971	116.5	113.5	127.7	163.8	130.4
1972	128.9	132.6	135.3	152.2	137.3
1973*	141.0	150.2	145.1	167.7	151.0
1974*	157.6	167.9	161.3	181.1	167.1

* Forecast.

SUMMARY

The outlook for the Alberta economy for the remainder of 1973 and to the end of 1974 is very favourable as a result of expansion of production capacity, resource development and employment growth. The exceptional rates of growth displayed by most economic indicators in 1972, and thus far in 1973, should produce the momentum to sustain high growth rates again for the balance of 1973 and 1974. In all likelihood even greater gains will be made in 1974.

Much of the strength anticipated for the Alberta economy in 1973 and 1974 is predicated on further increases in business investment in new production facilities and machinery, and on consumer spending. A significant increase of both by 31 and 12 per cent respectively, was experienced between 1971 and 1972. Consumer spending will be strong again in 1973 and 1974 and business investment, particularly in the Mining Sector, is expected to exhibit strong growth at a minimum of between 10 and 15 per cent in both years. In 1971 and 1972, the Alberta economy recovered from the downswing in economic activity experienced in 1970. In general, most economic indicators have reflected a continuation of this recovery thus far in 1973, and are expected to be positive again for the remainder of 1973 and well into 1974.

The following points highlight the outlook for the Alberta economy to the end of 1974:

- For 1973 the Real Gross Domestic Product (GDP) of Alberta

should increase by close to 6 per cent to approximately $6.1 billion, with prices expected to increase above the 4 years' average to almost 5 per cent. As a result, Alberta's GDP at market prices is expected to increase by nearly 11 per cent from a preliminary estimate of $8.4 billion in 1972, to over $9.2 billion in 1973. In 1974 an over-all increase in GDP at market prices of between 11 per cent and 11.5 per cent to over $10.2 billion can be expected. Prices are expected to rise by approximately 5.5 per cent and thus, real GDP should increase by at least 5.5 per cent.

- The growth in Alberta's Industrial Activity, as measured by changes in the average Quarterly Index of Industrial Activity in 1973 and 1974 is expected to be above 10 per cent for 1973 and 1974.

- Consumer spending in Alberta will increase in 1973 and 1974 by nearly 9 per cent per year over 1972 levels.

- Prospects for 1973 and 1974 indicate at least an 11 per cent increase in the personal income of Alberta for both years.

- Retail trade in Alberta for 1973 should increase by over 12 per cent, while in 1974, some dampening of retail sales in the province is expected to lower the percentage gain to approximately 9 per cent.

- For 1973 and 1974, growth in both employment and the labour force is expected to be maintained at rates exceeding the 1966-1972 experience. Both labour force and total employed should increase by close to 4.5 per cent in 1973 and close to 4 per cent respectively in 1974. The average unemployment rate is expected to reach 4.2 per cent in 1973 - a slight decline from 1972 levels, with a further small decrease anticipated for 1974. A recurrent theme expressed by many respondents to our executive opinion survey conducted in late 1972, was the difficulty of hiring qualified labour in 1972, with the same situation expected again in some industries in 1973. With the advent of the Syncrude plant in 1974, this problem could become even more acute.

- Prospects for the Manufacturing Sector in Alberta for 1973 and 1974, as measured by the growth in the Average Quarterly Index of Manufacturing Activity, would indicate about a 6 per cent increase per year. However, the recently announced approval of the Syncrude Canada Ltd. development project, could raise this projection further in 1974.

- A 20 per cent increase in the value of manufacturing shipments, raising the total value over $2.8 billion in 1973 can be expected. For 1974, an additional 15 per cent increase, raising the value of total shipments to close to $3.3 billion is anticipated.

- Total annual investment for the Manufacturing Industry in Alberta is forecast to increase by 60 per cent in 1973 to $380 million. A further 20 per cent increase is anticipated in 1974.

- Total activity in the Mining Sector in Alberta, as measured by the growth in the Average Quarterly Index of Mining Activity, should increase by over 11 per cent in both 1973 and again in 1974.

- Expectations are for a 13 per cent increase in crude oil and equivalent production in 1973 and 1974, with an increase of almost 20 per cent forecast for natural gas.

- The price of crude oil in Alberta as of October, 1973 was over $4.00 per barrel at the wellhead and is expected to increase to near $5.00 by the end of 1974.

- Alberta should experience at least a 30 per cent increase in drilling activity in 1973, with similar advances expected in 1974.

- The prospects for 1973 for the sulphur market are for increased prices. Price improvement is expected for at least the next few years. Sulphur production in 1973 is expected to climb by 9 per cent to over 7 million long-tons. Prospects for 1974 indicate an increase in production of close to 11 per cent to near 8 million long-tons.

- Total raw coal production in Alberta will increase by close to 15 per cent in 1973, with a similar increase anticipated in 1974.

- Activity in the Agricultural Sector of Alberta, as measured by the growth in the Average Quarterly Index of Agricultural Activity, should expand by 7.5 per cent and 10 per cent for 1973 and 1974 respectively.

- At least a 25 per cent increase in farm cash receipts should occur in 1973, due to continuing high prices for livestock and grains. A number of factors such as livestock prices, the world wheat market, and the prices of other farm products render the forecast of farm cash receipts tenuous at best for 1974. However, at least a 15 per cent increase in total farm cash receipts should be experienced in 1974.

- Activity in the Construction Sector in Alberta as measured by the growth in the Average Quarterly Index of Construction Activity, should increase in excess of 12 per cent in both 1973 and 1974. The impact of the Syncrude project development could significantly increase these expectations, particularly in 1974.

- In 1973, new construction expenditures in Alberta should exceed those in 1972 by almost 8 per cent to $1.8 billion. Urban housing starts and expenditures on residential construction however, are expected to show marginal declines in 1974.

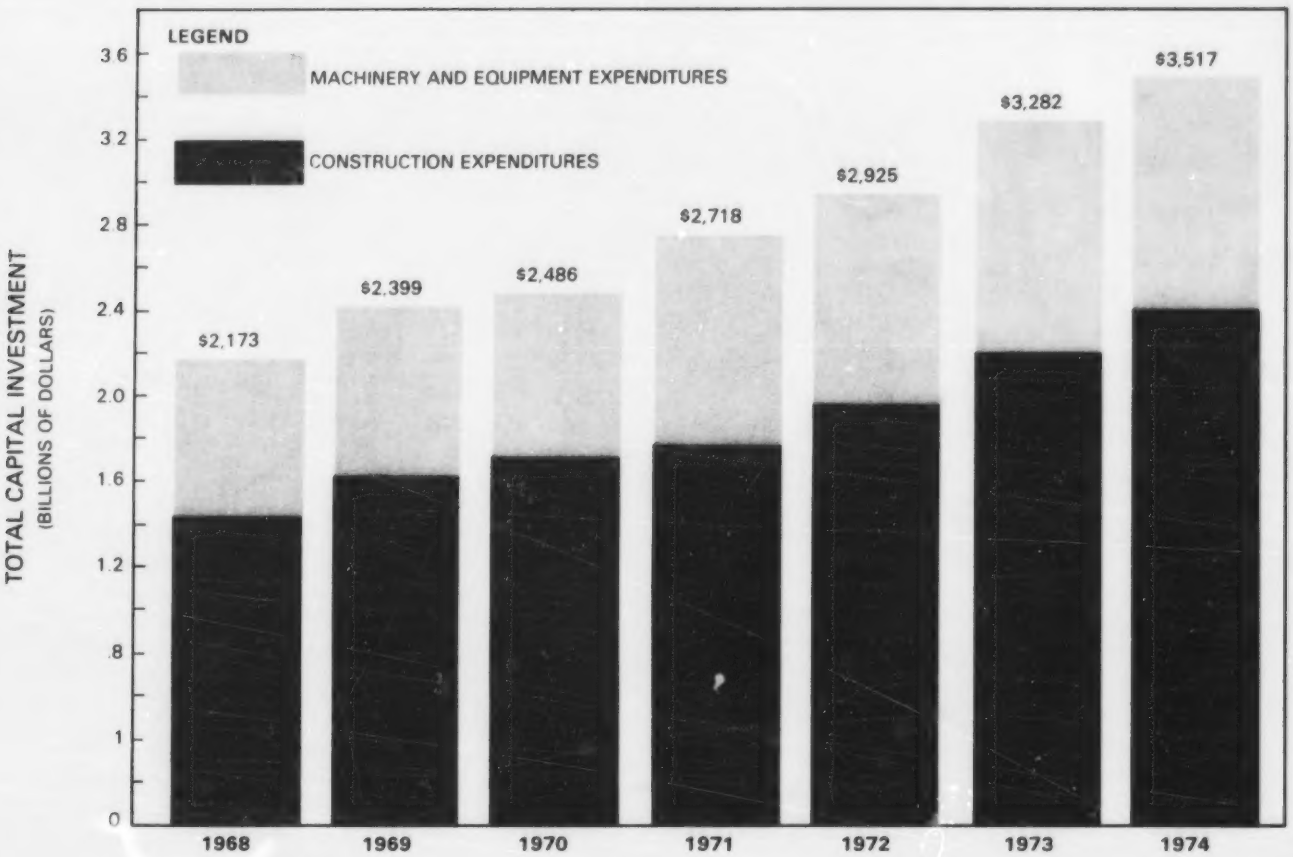
- Activity in the Forest Products Sector of Alberta, as measured by the growth in the Average Quarterly Index of Forest Products Activity, should expand by some 20 per cent in 1973, with an additional 18 per cent increase expected in 1974.

- Prospects for the Transportation Industry for 1973 and 1974 are for increases of approximately the same amount anticipated for retail trade and manufacturing activity in Alberta, by about 10 per cent per annum.

- Travel expenditures are expected to increase by almost 10 per cent in both 1973 and 1974, to nearly $400 million in 1974.

The above forecast may seem quite optimistic and somewhat unexpected in view of the recent trends developing in the Canadian economy. On the basis of the second quarter statistics for 1973, the Canadian economy displayed an overall slow down in activity. Real Gross National Product (GNP), for instance, advanced at a seasonally adjusted annual rate of only 4 per cent in the second quarter, compared to an 11 per cent increase in the first quarter of 1973. The slow down was highlighted by the following factors: declines in housing and consumer expenditures, due primarily to higher consumer prices which have risen at an annual rate of almost 9 per cent since January; lower Canadian exports resulting from a slow down in the U.S. economy; and the continued efforts of the Bank of Canada to curtail the demand for credit and stabilize the economy. In September, 1973, the Bank of Canada raised the bank rate by one-half percentage point to 7 1/4 per cent, the fifth increase since April, 1973. Most experts still contend however, that the money supply is expanding rapidly enough to prevent a major recession similar to that which occurred in 1969 - 1970.

CAPITAL INVESTMENT IN ALBERTA
1968 - 1974
(BILLIONS OF DOLLARS)



(NOTE 1968 - 1971, ACTUAL DATA; 1972, PRELIMINARY ACTUAL; 1973, INTENTIONS; 1974, FORECAST)

+1

There are two principle reasons for believing that the rate of economic growth in Canada will moderate in 1974. Firstly, to the end of August, 1973, the rate of inflation in Canada has risen at an annual average of 8 3/4 per cent, the highest level recorded since the Korean War. Consequently, public policy for the remainder of 1973 and well into 1974 will most likely focus on curtailing inflation in Canada. The usual outcome of pursuing anti-inflationary policy however, has been the general slowdown in the rate of expansion of the economy. On the other hand, monetary and fiscal policy pursued to the end of 1974, should not be so restrictive as to cause a major slowdown of activity and heavy increases in unemployment.

The second major reason to expect a slowdown in the Canadian economy is that the rate of growth in the U.S. economy is also expected to decline in 1974. The impact of a slower growth rate in the U.S. economy will be felt primarily by declines in the rate of increase in Canadian exports in 1974. In 1972 Canada's exports of goods amounted to over $18 billion and accounted for 27 per cent of the Gross National Product. Seventy per cent of this trade was with the United States. Therefore, a general decline in Canadian export demand in the U.S. will have a significant impact on Canada's total export trade and hence, on the economy in 1974. Contributing significantly to Canada's exceptional economic growth rate of the first quarter was a 28 per cent increase in the value of Canadian exports in the first four months of this year. A great deal of this amount was attributed to increased sales to the United States. However, as the second quarter statistics reveal, the slowing growth rate of the U.S. economy

has already, and will continue to lower any rate of growth in total Canadian exports, which will in turn contribute significantly to any general deceleration of the Canadian economy in 1974.

As a consequence of the above factors, the growth rate anticipated for the Canadian economy in 1974 will be somewhat reduced from that achieved in 1973. How much less will depend on the position taken with respect to fiscal and monetary management during the next year. Economists generally feel that a major recession can be avoided, even though there has been a definite down turn in housing, consumer, and government spending. Sufficient momentum is expected to be generated by business expenditures, especially capital investment in plant and equipment, which is already up by an average annual rate of 28 per cent between January and March and expected to grow by at least an annual rate of 15 per cent in both 1973 and 1974. Thus the Canadian economy is expected to grow in 1974, but at a slower rate than in 1973. This would likely mean that an annual increase in real economic growth of between 5 and 6 per cent for Canada in 1974 can be expected. This compares to the anticipated minimum increase in real growth of 7 per cent for 1973.

Ordinarily these developments would adversely influence Alberta's economic prospects for the remainder of 1973 and for 1974; however, for several reasons, their influence is likely to be minimal. Firstly, there is usually a considerable time lag before changes which occur at the national level, effect the Alberta economy. Assuming that a slower rate of growth in the national economy does occur by 1974, and throughout 1974, any damaging effects for

Alberta as a result would not likely take place until at least well in 1974. However, there are still additional reasons to expect that when the slow down in the national economy occurs, there would still be little justification for changing the initial forecast for sustained growth in the Alberta economy through to 1975. For example - the fact that in Alberta during 1972 and thus far in 1973, the Mining Sector contributed most significantly to our overall growth. The strong performance of this sector, along with considerable increases in overall business investment and consumer spending, have generated considerable momentum which should sustain the growth of the economy in 1974. Although the rate of growth in total consumer spending may decline slightly in 1974, business investment, especially in the Mining Sector, is expected to be strong again. In addition, the slow down in the Canadian and U.S. economies should have minimal effects on the growth prospects of the Mining Sector, since demand for Alberta's mineral resources both domestically and internationally will still remain strong, and is unlikely to be altered by a slight slowdown in Canada's economic activity in 1974.

Further evidence in support of a favourable outlook for the Alberta economy for the next year and one-half was provided by the recent approval for the development of a second synthetic crude oil extraction plant by Syncrude Canada Ltd.

Although the main impact of the Syncrude Canada Ltd. project in terms of investment and employment will not likely materialize before the end of 1974, the main influence will be to stimulate business confidence in the Alberta

economy, which should raise expectations for future investment developments. The result will be an investment climate in Alberta more conducive for expansion throughout the forecast period. The investment intentions of the Manufacturing, Construction and Mining Sectors in particular, should be enhanced in order to plan for the successful completion and operation on the project. It is also encouraging to realize that this indicates only the beginning of the development of Alberta's oil sands. The significance of such a large investment over such an extended period of time augers well for the prospects for the Alberta economy for at least the next decade.

Taking these factors into account, it would appear that any negative impact on the Alberta economy as a result of changes at the national level will be effectively removed and the impact minimal.

ECONOMIC ACTIVITY IN ALBERTA

Gross Domestic Product

Since 1968, Alberta's Gross Domestic Product (GDP) at market prices, which is defined as the market value of the sum total of all goods and services produced within the geographic boundaries of Alberta during a given year, has increased at an annual rate of nearly 10 per cent, compared with Canada's growth of just over 9 per cent. Price increases however, have accounted for an average of 4.3 per cent per year of this amount. Thus, measured in terms of 1961 dollars, the real growth of the Alberta GDP has been over 5 per cent per year since 1968, reaching $5.7 billion in 1972.

For 1973, the real Gross Domestic Product of Alberta should increase by close to 6 per cent to approximately $6.1 billion, with prices expected to increase above the past 4 years' average to almost 5 per cent. As a result, Alberta's GDP at market prices is expected to increase by nearly 11 per cent from a preliminary estimate of $8.4 billion in 1972 to over $9.2 billion.

In 1974 an over-all increase in GDP at market prices of between 11 per cent and 11.5 per cent to over $10.2 billion can be expected. Prices are expected to rise by approximately 5.5 per cent and thus, real GDP should increase by at least 5.5 per cent.

Alberta's Industrial Activity Index

The Average Quarterly Index of Industrial Activity in Alberta, defined

as an aggregate physical indicator of industrial activity in Alberta, or a measure of the sum of the activities of the Alberta industry's individual component parts, has increased by over 8 per cent per year since 1968. Much of the strength can be attributed to the growth in output of the Mining Industry at 9 per cent, and in particular, petroleum and natural gas production. In addition, the Construction Index grew by 12 per cent, Agriculture by 4 per cent, Manufacturing by over 5 per cent and Forest Products by 18 per cent. Substantial over-all growth has prevailed throughout the economy since early 1971, and is expected to continue in 1973 and 1974. The growth in Alberta's Industrial Activity Index in both 1973 and 1974 is expected to be above 10 per cent. It is possible that the rates of increase currently being experienced will level off by the end of 1974.

Consumer Spending

Although the purchasing power of the Canadian dollar declined from $.83 in 1968 to $.69 in early 1973 (1961= $1.00), personal expenditures on consumer goods and services in Alberta have increased at an annual rate of 9 per cent.

Until recently, prices of food and other items have risen in moderation, allowing for high levels of consumer spending in Alberta. However, recent consumer price increases will likely dampen purchases somewhat in the next few months, with the full effect likely being felt in early 1974. It is expected therefore, that consumer spending in Alberta for 1973 and 1974 will increase at less than 1972's increase of nearly 12 per cent, or by about 9 per cent per year.

Accompanying this growth in expenditures has been the increase in total personal income in Alberta since 1968 of nearly 11 per cent per year to $6.2 billion, in 1972. Prospects for 1973 and 1974 indicate at least as great increases in personal income for both years.

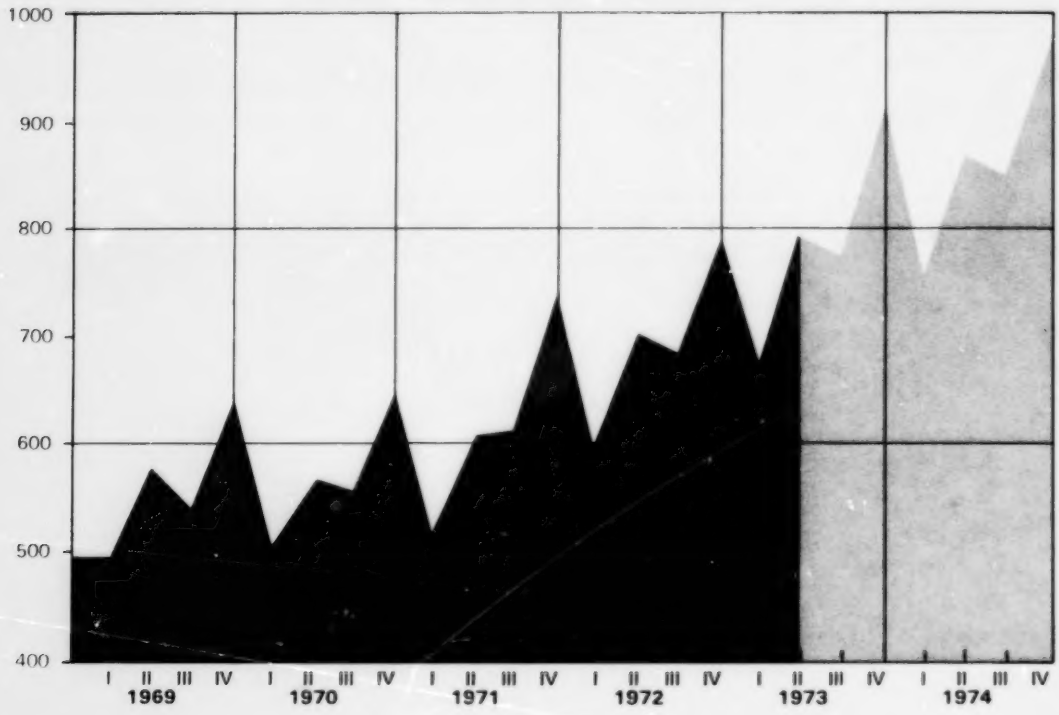
In 1972, the amount of consumer credit in Alberta rose by an estimated 18 per cent over 1971, with the chartered banks assuming a greater portion of the total each year since 1968. Chartered bank consumer loans in Alberta at the end of March 1973, were over 30 per cent above the same period in 1972. Although some tightening of credit is now being experienced, it is not expected to adversely affect consumption patterns to the end of 1973.

The increased value of consumption of goods and services in Alberta has been reflected by substantial increases in retail sales since 1970 of almost 9 per cent in 1971 and 14 per cent in 1972. Much of the increase can be attributed to sales of grocery and combination stores, department stores and motor vehicle dealers. Of the $313 million increase in retail trade between 1971 and 1972, these three groups accounted for $186 million, or nearly 60 per cent. Although this increase undoubtedly reflects population growth and inflation, the greater part is accounted for by higher physical volume of goods sold.

Retail trade continues to grow at rates similar to 1972. Cumulative figures to the end of June 1973, at $1,453 million, indicate an increase of over 12 per cent in sales above 1972. Overall, this percentage increase should continue for the balance of 1973. Prospects for 1974 however, indicate some dampening

in total trade to a 9 per cent increase over 1973, due to relatively lower total consumer purchases brought on by greater concern over rapidly rising prices for durable goods, food and services.

RETAIL TRADE-ALBERTA
1969 - 1974
(MILLIONS OF DOLLARS)



The Labour Force

By the end of 1972, Alberta's labour force had grown at an average annual rate of 3.3 per cent since 1966, whereas total employed had increased by 2.7 per cent. To the end of August 1973, increases in both of 4.7 per cent were recorded over the same period in 1972.

Stimulating this increase were the rapid gains in the 15 - 24 age groups in both the labour force and total employed. In addition, an increased number of females in the work force has contributed significantly to this growth. Particularly

significant is the increase in the average participation rate of females for the first eight months of 1973 to 41.7 per cent, as compared with 39.3 per cent for the same period in 1972. It is expected that a female rate of close to 41 per cent will be experienced to the end of 1973, and as an average in 1974.

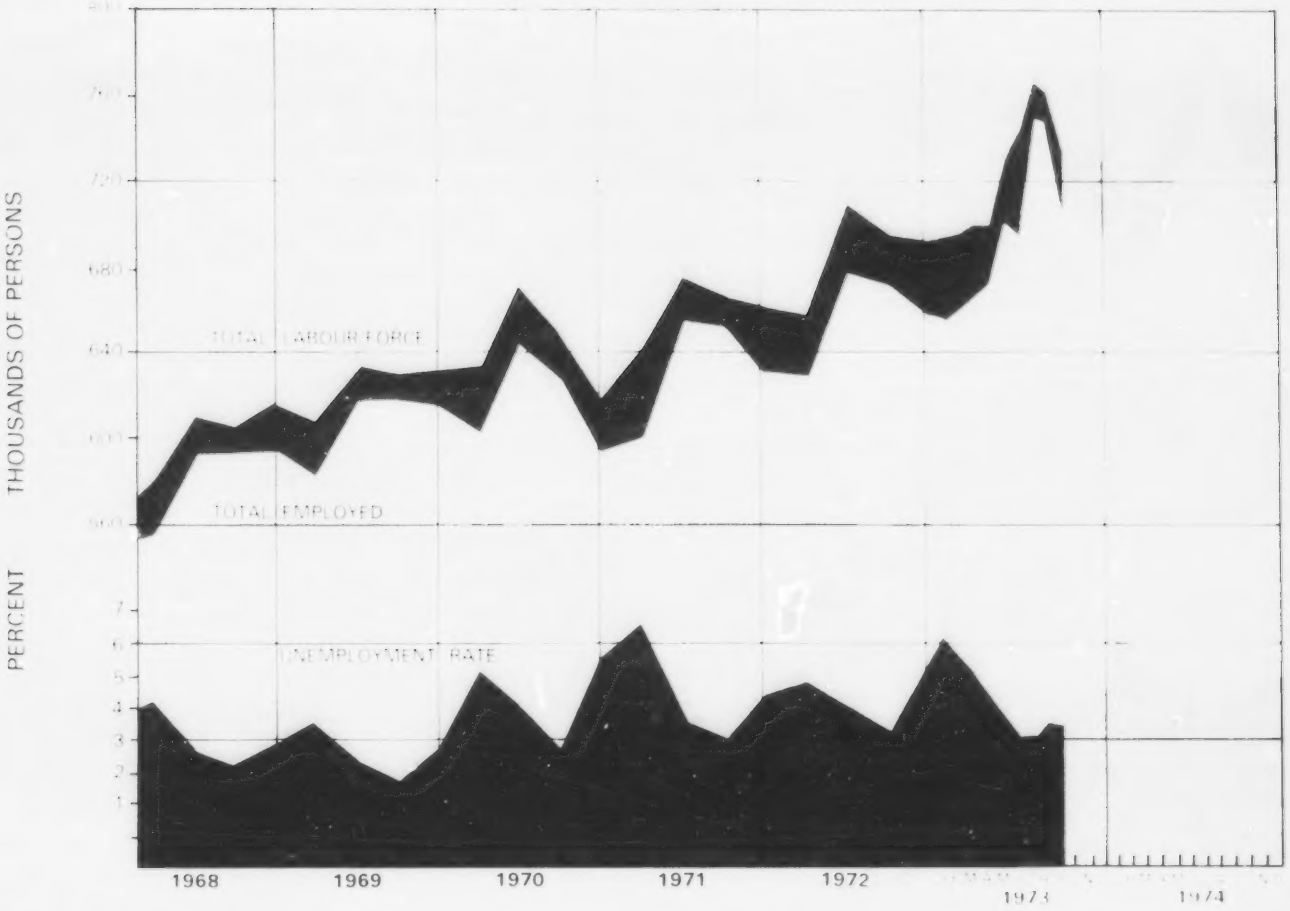
The average male participation rate of 79.9 per cent for the January to August period of 1973 was slightly below 1972's experience of 80.2 per cent. An average male participation rate near 80 per cent is expected to be maintained to the end of 1973 and be the average for 1974.

LABOUR FORCE CHARACTERISTICS

ANNUAL AVERAGES 1967 - 1974

	1967	1968	1969	1970	1971	1972	1973	1974
	----------Thousands----------							
Population (July 1)	1,493	1,529	1,561	1,604	1,628	1,656	1,684	1,713
Population 14 yrs. and over	980	1,012	1,045	1,080	1,117	1,148	1,182	1,216
Total Labour Force	578	604	628	650	664	688	719	746
Male Labour Force	398	411	422	435	446	461	477	491
Female Labour Force	179	192	207	215	217	227	242	255
Total Employment	564	586	611	622	633	657	689	716
Unemployment	14	18	17	28	31	31	30	30
	(per cent)							
Participation Rate	59.0	59.7	60.1	60.2	59.5	59.9	60.8	61.3
Unemployment Rate	2.4	3.0	2.7	4.3	4.7	4.4	4.2	4.0

LABOUR FORCE CHARACTERISTICS
ALBERTA, 1968 - 1974

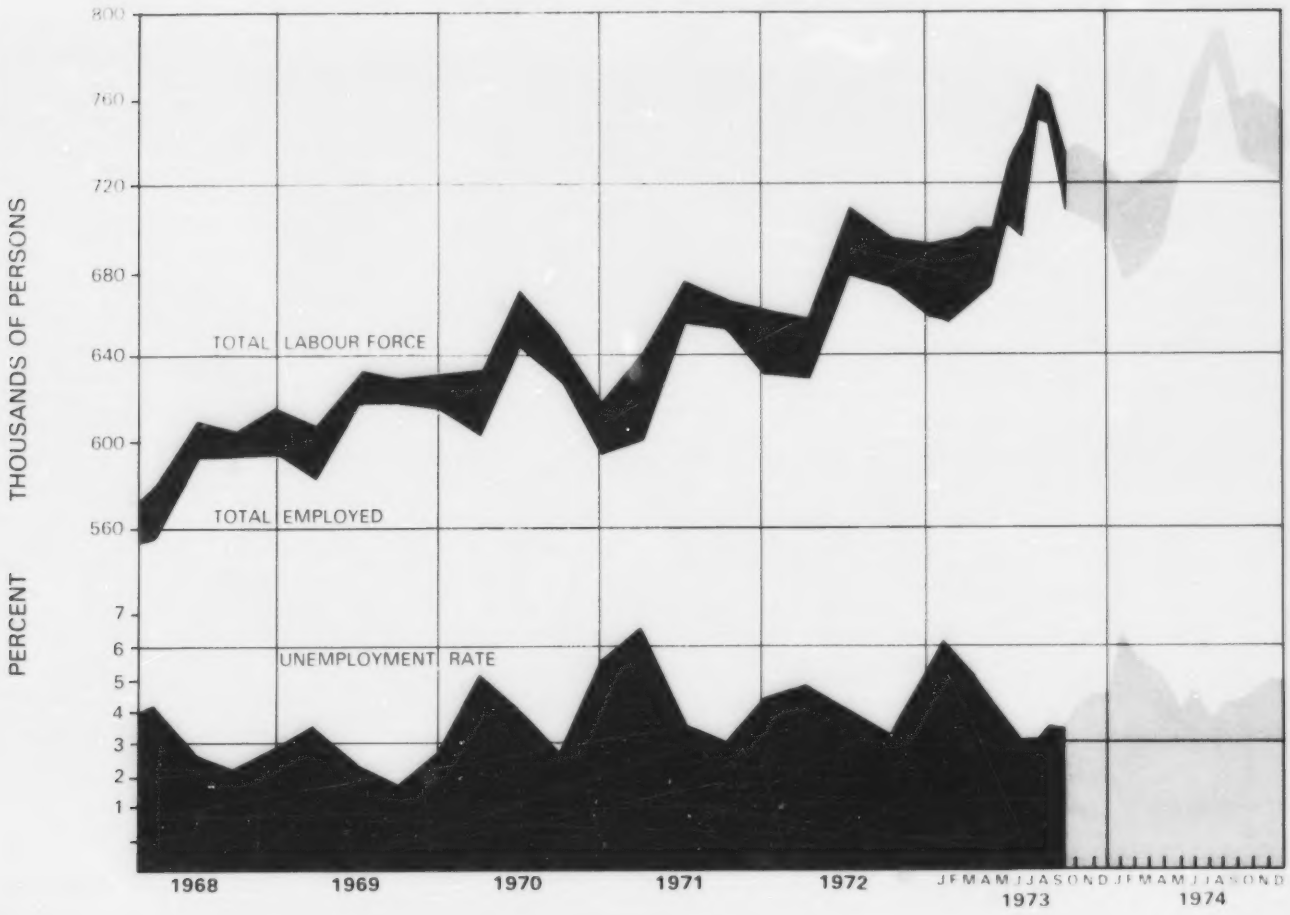


LABOUR FORCE SURVEY FIGURES — ALBERTA
ANNUAL AVERAGES & ANNUAL CHANGES 1968 - 1974

Year	Total Labour Force	Total Employed	Participation Rate
1968	604,000	586,000	59 7
1969	628,000	611,000	60 1
1970	650,000	622,000	60 2
1971	664,000	633,000	59 4
1972	684,000	657,000	59 9
1973*	719,000	689,000	60 8
1974*	746,000	716,000	61 3
Percentage Change			
1968-1969	4.0	4 3	
1969-1970	3.5	1.8	
1970-1971	2.2	1.8	
1971-1972	3.0	3.8	
1972-1973*	4.5	4.5	
1973-1974*	4.0	4.0	

* Forecasts

LABOUR FORCE CHARACTERISTICS
ALBERTA, 1968 - 1974



LABOUR FORCE SURVEY FIGURES — ALBERTA
ANNUAL AVERAGES & ANNUAL CHANGES 1968 - 1974

Year	Total Labour Force	Total Employed	Participation Rate
1968	604,000	586,000	59.7
1969	628,000	611,000	60.1
1970	650,000	622,000	60.2
1971	664,000	633,000	59.4
1972	684,000	657,000	59.9
1973*	719,000	689,000	60.8
1974*	746,000	716,000	61.3
Percentage Change			
1968-1969	4.0	4.3	—
1969-1970	3.5	1.8	—
1970-1971	2.2	1.8	—
1971-1972	3.0	3.8	—
1972-1973*	4.5	4.5	—
1973-1974*	4.0	4.0	—

* Forecasts.

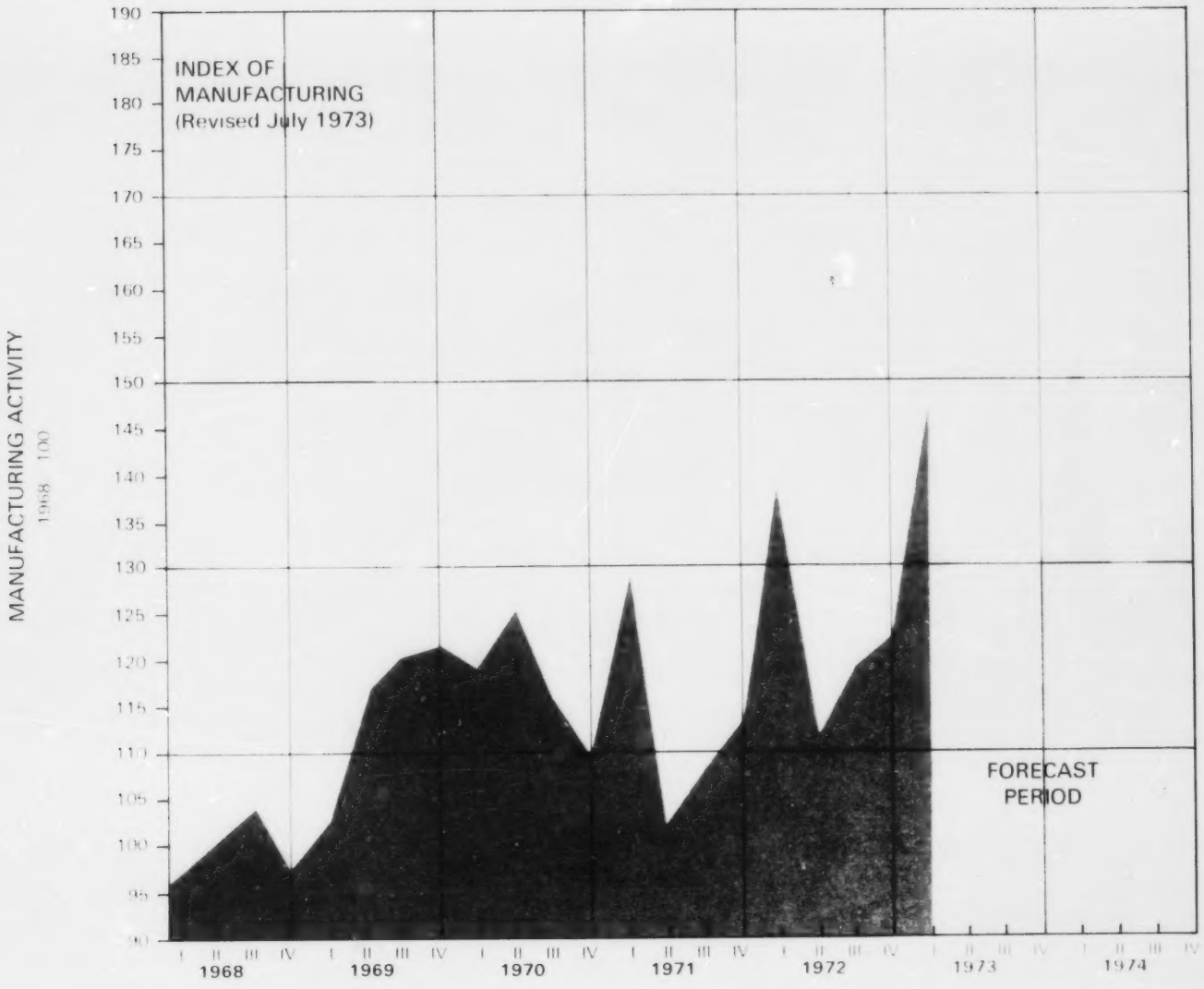
17 ~~18~~ 19

For 1973 and 1974, growth in both employment and the labour force should be maintained at rates exceeding the 1968 - 1972 experience. Both labour force and total employed should increase by close to 4.5 per cent in 1973, and close to 4 per cent respectively in 1974. The average unemployment rate is expected to reach 4.2 per cent in 1973, a slight decline from 1972 levels, with a further small decrease anticipated for 1974.

Much of the growth in the labour force will be concentrated in the service sector in 1974. May, 1973's total of 439,000 in the service sector is 16,000 above 1972's average, and should average close to 435,000 for the year. Construction employment is expected to average about 50,000. With the development of the Syncrude project likely to take place in 1974, the effect on the above labour force projections will likely be minimal, since the major operations involved will not likely get underway until late in 1974 at best.

A recurrent theme expressed by many respondents for our executive opinion survey conducted in late 1972 was the difficulty of hiring qualified labour in 1972, with the same situation expected again in some industries in 1973. This is reflected by an increase in the estimated number of job vacancies in all Alberta industries, as reported by Statistics Canada in a year end job vacancy survey. With the advent of the Syncrude project development in 1974, this problem could become even more acute.

INDEX OF MANUFACTURING ACTIVITY ALBERTA, 1968 - 1974



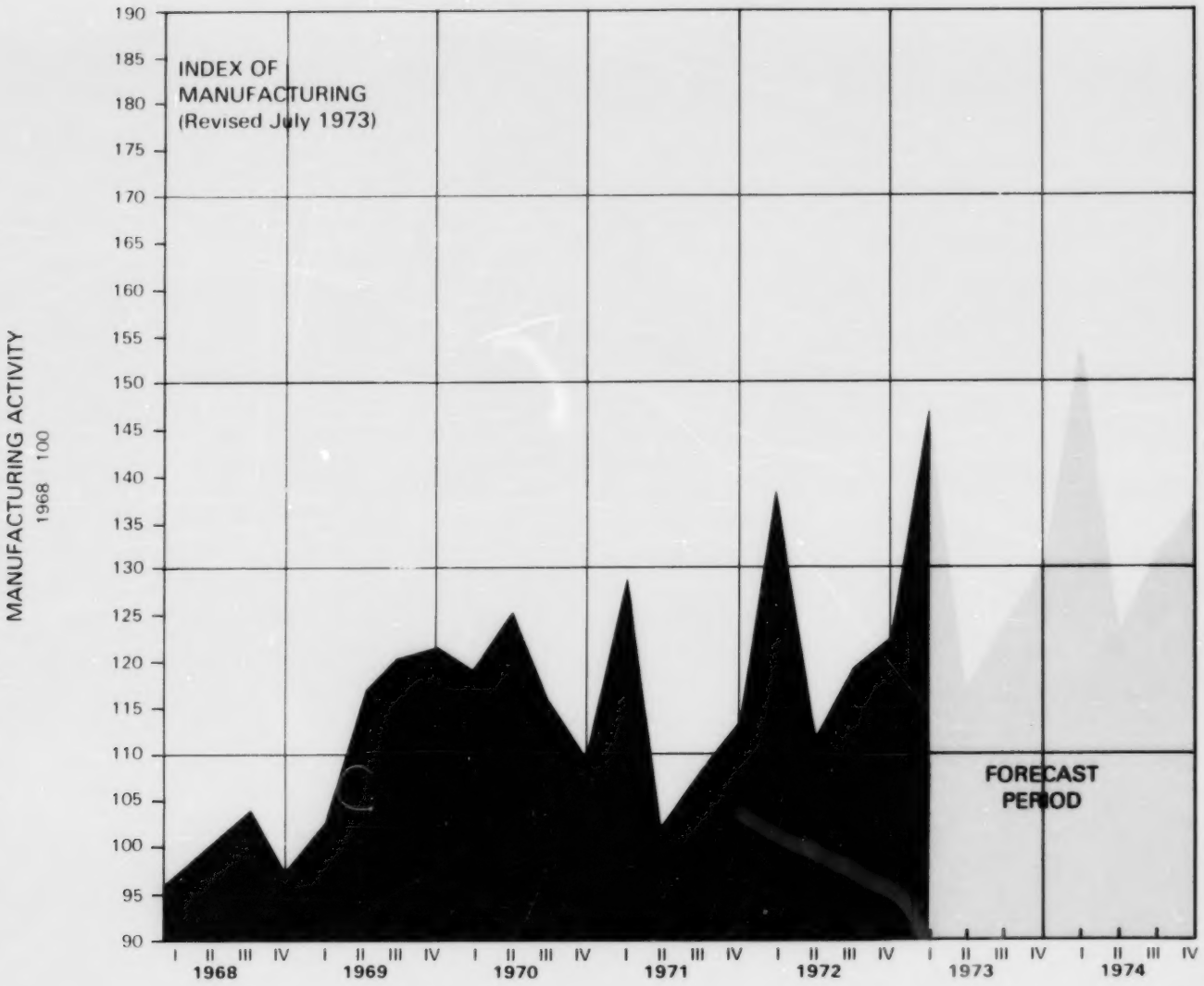
NOTE: THE MANUFACTURING ACTIVITY INDEX IS A COMPOSITE OF THE MAJOR INDUSTRIAL GROUPS IN THIS INDUSTRY WEIGHTED BY THE VALUE OF THE COMPONENTS

THE MANUFACTURING ACTIVITY INDEX — BY QUARTER — 1968 - 1974 (1968 = 100)

Year/Quarter	I	II	III	IV	Average
1968	97.3	100.6	104.2	97.8	100.0
1969	103.4	116.3	120.5	121.7	115.5
1970	119.6	125.9	116.2	109.8	117.9
1971	129.3	102.4	108.0	113.4	113.3
1972	139.4	111.4	119.6	122.6	123.3
1973*	147.4	117.3	124.8	130.0	129.9
1974*	155.4	123.6	131.6	137.0	136.9

* Forecast.

INDEX OF MANUFACTURING ACTIVITY ALBERTA, 1968 - 1974



NOTE THE MANUFACTURING ACTIVITY INDEX IS A COMPOSITE OF THE MAJOR INDUSTRIAL GROUPS IN THIS INDUSTRY WEIGHTED BY THE VALUE OF THE COMPONENTS

THE MANUFACTURING ACTIVITY INDEX — BY QUARTER — 1968 - 1974 (1968 = 100)

Year/Quarter	I	II	III	IV	Average
1968	97.3	100.6	104.2	97.8	100.0
1969	103.4	116.3	120.5	121.7	115.5
1970	119.6	125.9	116.2	109.8	117.9
1971	129.3	102.4	108.0	113.4	113.3
1972	139.4	111.4	119.6	122.6	123.3
1973*	147.4	117.3	124.8	130.0	129.9
1974*	155.4	123.6	131.6	137.0	136.9

* Forecast.

SECTORAL ANALYSIS AND OUTLOOK

MANUFACTURING

Between 1968 and 1972, the Average Quarterly Index of Manufacturing Activity grew at an annual rate of 5.3 per cent. On a year to year basis, smaller increases were recorded in the period 1969 - 1971. However, a gain of nearly 9 per cent was recorded between 1971 and 1972, reflecting the upswing in manufacturing activity in Alberta last year. Prospects for 1973 and 1974 indicate growth in the Average Quarterly Index of Manufacturing Activity by about 6 per cent, reflecting strength in this sector. However, accelerating growth may be constrained because of plant capacity until early in 1974.

According to the latest estimates, the value of manufacturers' shipments in Alberta in 1972 displayed a 14 per cent increase over 1971 to nearly $2.4 billion. Although the bulk of this occurred in the food and beverage industries, increases of over 15 per cent were recorded in the primary metal products, transportation equipment, electrical products and petroleum refining industries. Increases of over 10 per cent were recorded in the production of wood products; printing, publishing and allied products; and in the production of non-metallic mineral products. The favourable performance of the Alberta economy in the last quarter of 1972,and the first half increase in manufacturing shipments of over 20 per cent in 1973,indicates that up to 20 per cent increase in shipments can be expected in 1973. This represents a forecast total of over $2.8 billion. For 1974, at least a 15 per cent increase is expected which should raise the value of total shipments to close to $3.3 billion. This assumes a real increase of about 10 per cent and close to a 5 per cent increase in prices.

The increase in the value of manufacturing shipments expected for 1973 and 1974 is based on expectations of continued strong consumer expenditures due to increased personal incomes. In addition, the expansion of the manufacturing base in Alberta and the strong performance of manufacturing in the last half of 1972 and the first quarter of 1973 should provide additional momentum for this sector throughout 1973 and 1974. Some examples of the strong performance of the manufacturing sector thus far are as follows: slaughtered meat dollar sales were up over 23 per cent for the first six months of 1973; production of petroleum refined products increased by over 10 per cent in the first six months; cement production to the end of June was up by 14 per cent reflecting the high level of activity in the construction industry in Alberta; and lumber production rose by nearly 40 per cent to more than 483 million board feet for the first half of 1973.

VALUE OF MANUFACTURERS' SHIPMENTS

Alberta, 1968 - 1974

Year	Value (1) ($'000)	% Change Year/Year
1968	1,667,000	12.3
1969	1,849,300	10.9
1970	1,900,200	.8
1971	2,078,500	6.9
1972	2,370,000	13.0
1973	2,844,000	20.0
1974	3,270,600	15.0

Total investment for the manufacturing industry in Alberta for 1973 is expected to register a 60 per cent increase over 1972's total to $379.7 million. The bulk of the increase will be for construction expenditures, expected to increase by $82.1 million to $182 million, while expenditure on machinery and equipment are expected to rise by $59.5 million to $197.7 million. For 1974, it is expected that overall investment will increase by 20 per cent over the anticipated 1973 total to about $450 million.

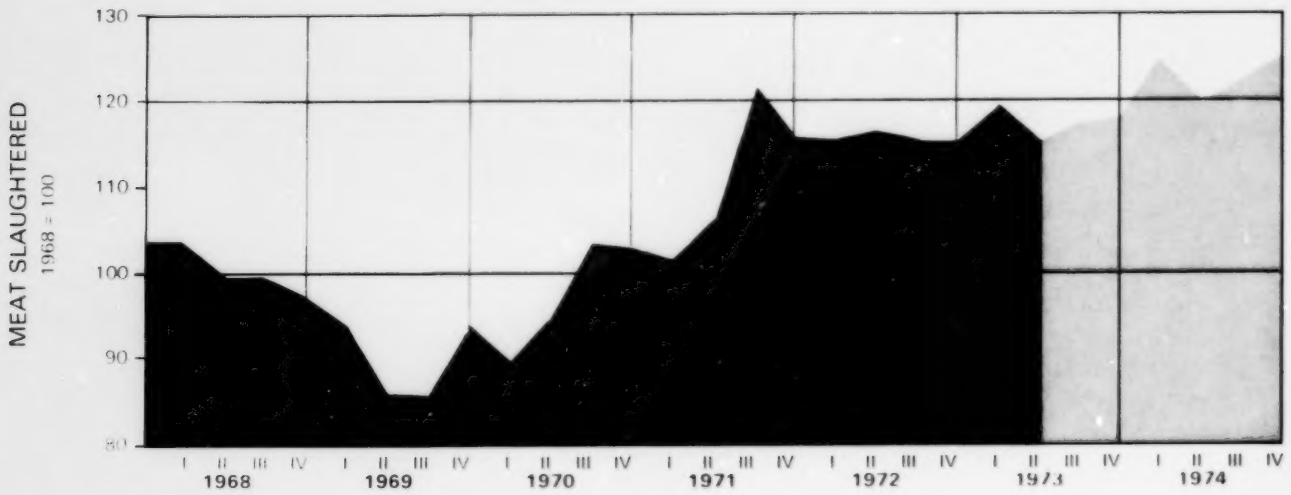
Construction has already started on the $30 million expansion at the Canada Cement-Lafarge plant near Calgary, with additions to Imperial Oil's refinery capacity in Edmonton ($200 million) well underway. Construction on a $800 thousand sheep processing plant at Innisfail is expected to begin later this year, and should add to the already growing shipments of food products from Alberta.

Major projects under construction at the end of 1972 were the $60 million thermal power plant at Mildred Lake; the ongoing expansion at the thermal power plant at Lake Wabamum ($64 million), the $10 million addition at the Canadian Phoenix Steel & Pipe Ltd. plant in Calgary; the expansion of the Great Canadian Oil Sands Ltd. plant near Fort McMurray, valued at $16 million; and the construction of the $92 million Grande Prairie pulp mill.

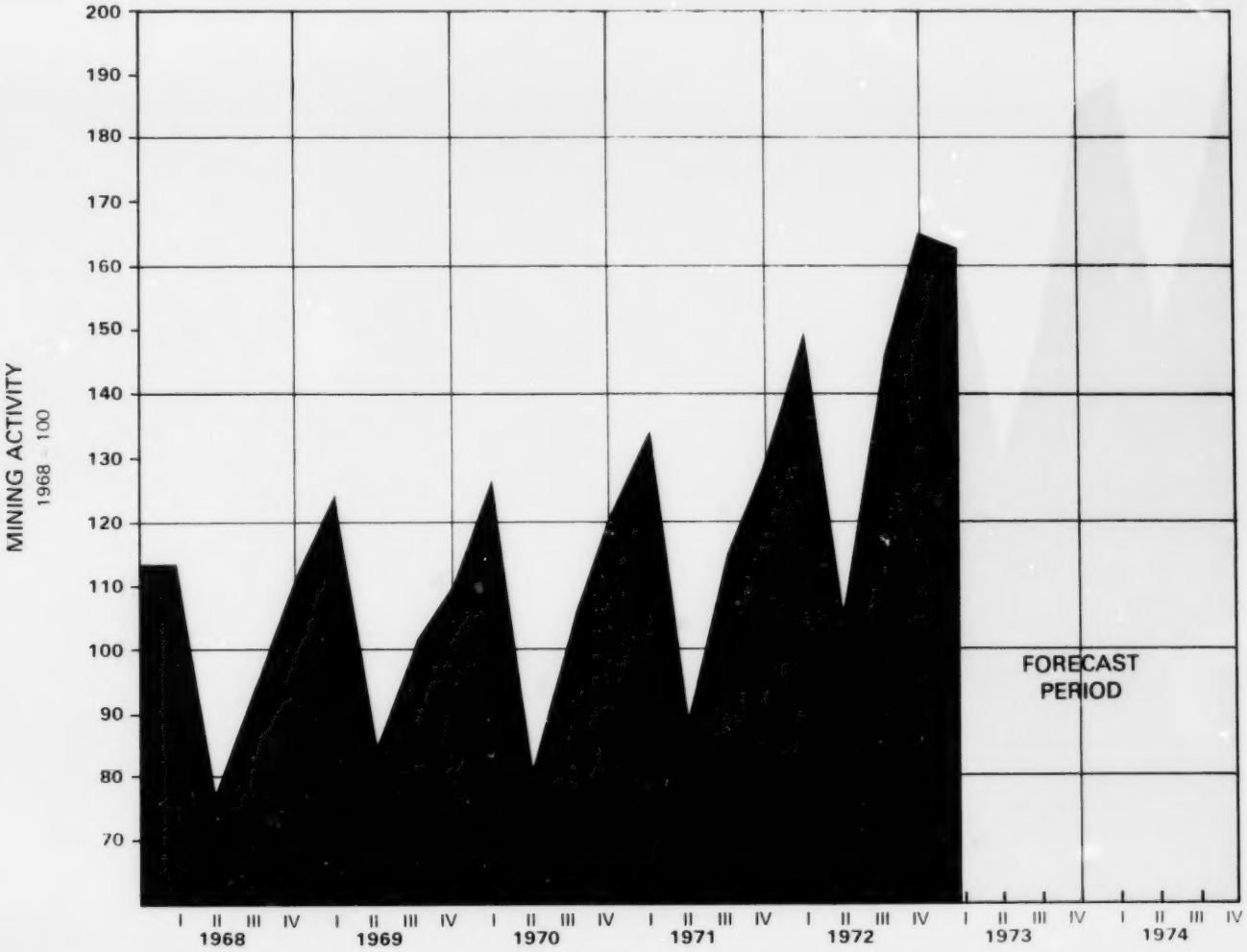
On September 18, 1973, plans were outlined for the development of a $1 billion oil extraction plant in the Athabasca Oil Sands. Development and operation of the plant is expected to employ nearly 1,600 persons directly. In addition to the direct employment and investment effects from the development of the plant, growth in the Alberta economy in 1974 of greater than 10 per cent forecast earlier

can be expected. In particular, growth in the Manufacturing and Construction Sectors should be in excess of their respective 6 per cent and 12 per cent forecast for 1974.

INDEX OF MEAT SLAUGHTERING
ALBERTA, 1968 - 1974
(1968 = 100)



INDEX OF MINING ACTIVITY
ALBERTA, 1968 - 1974
1968 = 100



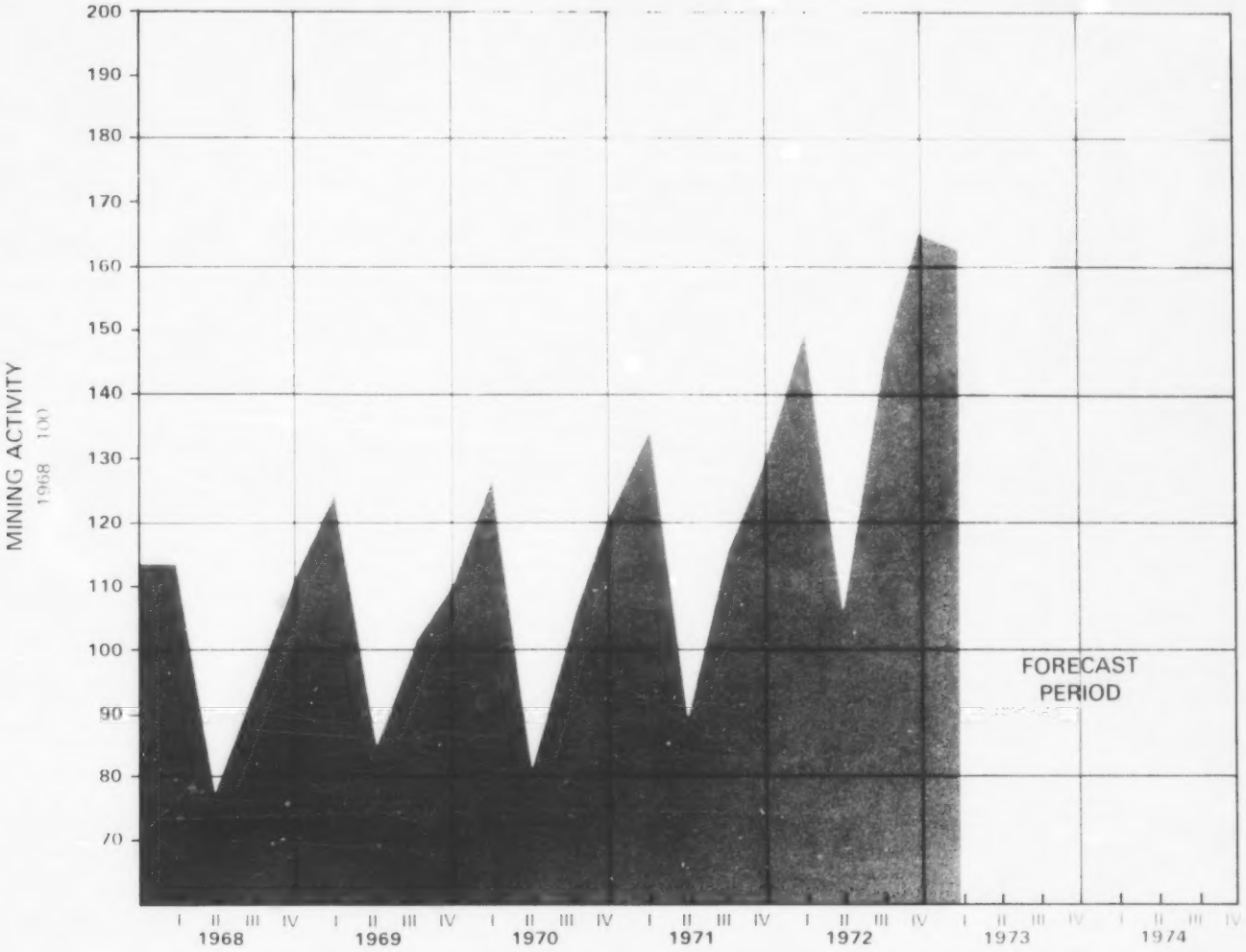
NOTE THE MINING ACTIVITY INDEX IS A COMPOSITE OF PETROLEUM ACTIVITY WITHIN THE PROVINCE (INCLUDING OIL AND GAS PRODUCTION, ALONG WITH WELL FOOTAGE DRILLED) AND COAL PRODUCTION, WEIGHTED 97 PERCENT TO PETROLEUM AND 3 PERCENT TO COAL

THE MINING ACTIVITY INDEX — BY QUARTER — 1968 - 1974
(1968 = 100)

Year/Quarter	I	II	III	IV	Average
1968	114.8	77.2	96.5	110.4	100.0
1969	124.6	84.3	101.1	109.7	104.9
1970	126.7	81.3	103.9	120.4	108.1
1971	135.0	88.8	114.2	129.9	117.0
1972	149.7	105.3	145.3	165.2	141.4
1973*	162.7	129.4	150.7	185.1	157.0
1974*	189.5	150.0	171.6	195.1	176.6

*Forecast.

INDEX OF MINING ACTIVITY ALBERTA, 1968 - 1974 1968 - 100



NOTE: THE MINING ACTIVITY INDEX IS A COMPOSITE OF PETROLEUM ACTIVITY WITHIN THE PROVINCE (INCLUDING OIL AND GAS PRODUCTION ALONG WITH WELL FOOTAGE DRILLED) AND COAL PRODUCTION, WEIGHTED 97 PERCENT TO PETROLEUM AND 3 PERCENT TO COAL.

THE MINING ACTIVITY INDEX — BY QUARTER — 1968 - 1974 (1968 = 100)

Year/Quarter	I	II	III	IV	Average
1968	114.8	77.2	96.5	110.4	100.0
1969	124.6	84.3	101.1	109.7	104.9
1970	126.7	81.3	103.9	120.4	108.1
1971	135.0	88.8	114.2	129.9	117.0
1972	149.7	105.3	145.3	165.2	141.4
1973*	162.7	129.4	150.7	185.1	157.0
1974*	189.5	150.0	171.6	195.1	176.6

*Forecast.

MINING

For many years, Alberta's mining industry has expanded to the point where it has supplied nearly all of the energy needs of the Province and most of the crude petroleum and natural gas exported from Canada. Between 1968 and 1972, the average Quarterly Index of Mining Activity increased by 9 per cent per year. This impressive rate of growth should be exceeded in 1973 and 1974, with increases of over 11 per cent anticipated for each year. These increases will prolong the current expansion of mining activity which began in 1972, after 3 years of modest gains.

In the past, it was felt that Canada had more than enough energy resources to satisfy our needs and allow exports as well. What has now emerged is growing concern over developing energy shortages in Canada in light of the recent U.S. experience. The dichotomy of views held on the question of whether or not Canada has still abundant energy resources, revolves around exports of our energy and the ultimate reserves of energy still unexploited.

On the one hand, it is argued that shortages in fossil fuels will be replaced by technological breakthroughs in terms of nuclear, solar or geothermal energy. However, we cannot depend on these sources in the near-term due to the high costs of placement and environmental considerations, especially regarding nuclear energy. It has also been argued, that Canada has an abundance of fossil fuel resources that can provide a good

source of energy to all parts of North America. However, Canada's production and reserves of oil, gas and coal are only a small fraction of North American supplies.

On the other hand, we need not be alarmed that our resources are in danger of depletion in the near future. Given that resource prices are increasing considerably, and could double by 1980, previously uneconomical recoverable reserves will be within reach by that time.

All energy product prices are increasing. These increases stem from the increasing demand for petroleum products, the increased cost of production, transportation and distribution, and the influence of Middle East prices. Not only will Alberta benefit from these higher prices, but the development of previously uneconomical fossil fuel reserves will also be enhanced.

Oil sands development is also expected to accelerate as alternative supplies of crude oil are required. The approval was given on September 18, 1973, for the development of a second oil sands extraction plant by Syncrude Canada Limited.

An application to the National Energy Board is expected soon for a Canadian pipeline to transport natural gas from Northern Canada to U.S. and Southern Canadian markets, with a firm decision by the Federal Government expected by the end of 1974 or early 1975.

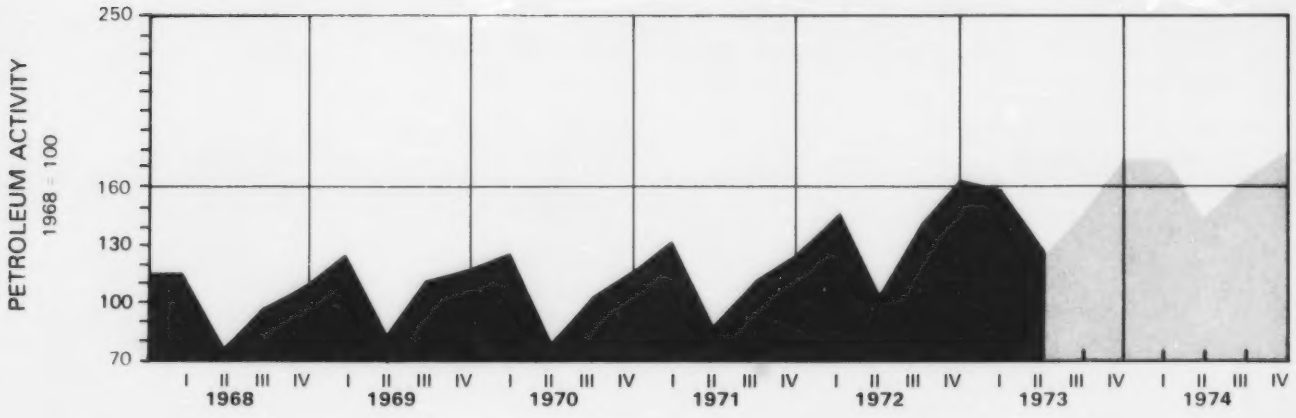
The following sub-sector discussions are presented to point out the potential developments in production, for Alberta's main mineral resources.

Petroleum

Conventional crude oil and equivalent production in Alberta in 1972 totalled 502.6 million barrels, an increase in production of nearly 21 per cent over 1971. Exports to the United States from Alberta increased 31 per cent to nearly 304 million barrels, or about 5 per cent of estimated U.S. demand. Of these exports, 200 million barrels and 104 million barrels were delivered east and west of the Rockies, respectively. Approximately 60 per cent of all Alberta crude oil deliveries were made to the U.S., with 29 per cent going to the rest of Canada and the balance consumed in Alberta.

Production of crude oil and equivalent for the first six months of 1973 reached 295 million barrels, an increase of 26 per cent over the same period in 1972. This increase in production accounted for the bulk of the 24 per cent increase in the Petroleum Index, which rose to 125. Increases of nearly 10 per cent and 29 per cent, respectively, in the gas production and footage drilled components, of the Petroleum Index were also recorded.

INDEX OF PETROLEUM ACTIVITY
ALBERTA, 1968 - 1974
(1968 = 100)



Expectations are for a 13 per cent increase in crude oil and equivalent production in Alberta for both 1973 and 1974. Contributing to the increase in production will be the continued strong demand by domestic and U.S. Refineries. Considering present reserves, the Alberta Energy Resources Conservation Board estimated that additions to Alberta's recoverable crude oil reserves were less than production for the second consecutive year, representing 17 years of supply at 1972 production levels. However, the addition of proved reserves and production of synthetic crude oil will increase the years of supply to 69.

The oil and gas industry is now faced with an changing environment. At present, the domestic and U.S. demand for Canadian crude oil and pentanes plus is close to 20 per cent above the first six months of 1972. Alberta supplied over 80 per cent of the export demand for Canadian Crude oil with Saskatchewan, B.C., and Manitoba oils contributing the balance.

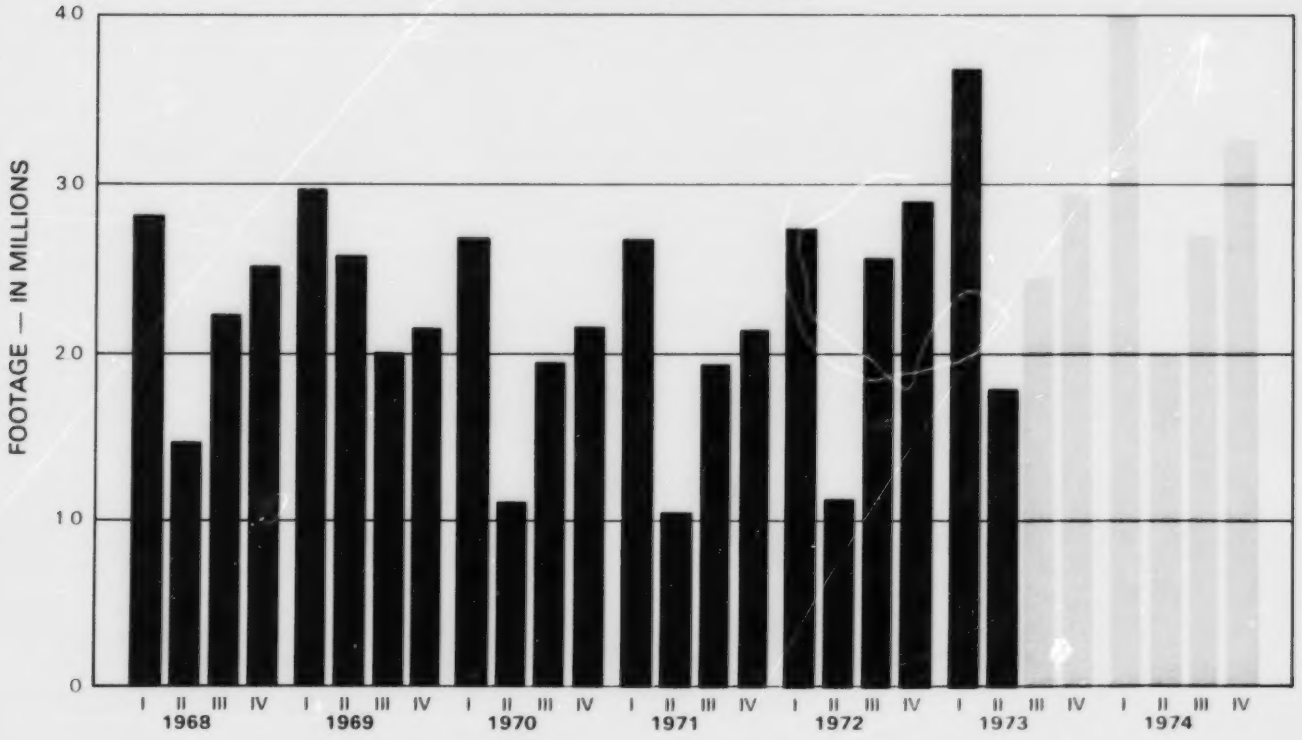
The price of crude oil in Alberta as of October, 1973 was over $4.00 per barrel at the wellhead and is expected to increase to near $5.00 by the end of 1974.

Any further domestic price increases will be delayed however, due to the price freeze in Canada on crude oil and petroleum products instituted on September 4, 1973. In addition, the federal government has announced a 40 cents a-barrel export tax on oil exported to the United States, effective October 1, 1973. This action was deemed necessary by the federal government because the National Energy Board reported that U.S. importers were

benefiting from the September 4, 1973 freeze by being able to buy Canadian crude oil at an artificially low price.

Drilling in Alberta took a very definite upswing in 1972 and continues to date in 1973. To the end of June, 1973, footage drilled has increased by 29 per cent, with the number of well completions to date nearly 39 per cent above the same period last year. The increased prices of oil at the wellhead, and the recently re-negotiated gas contract wellhead prices of roughly 30 cents and up to 40 cents for new contracts per MCF have contributed significantly to this increased activity.

TOTAL FOOTAGE DRILLED
ALBERTA, 1968 - 1974
(MILLIONS OF FEET)



Oilweek expects a 10 per cent increase in drilling activity in Western Canada in 1973 over 1972. But given the increases in Alberta already to date, we can expect at least a 30 per cent increase in drilling activity in Alberta alone in 1973, with major emphasis expected on foothills search and shallow gas prospects in the Southeast corner of the Province.

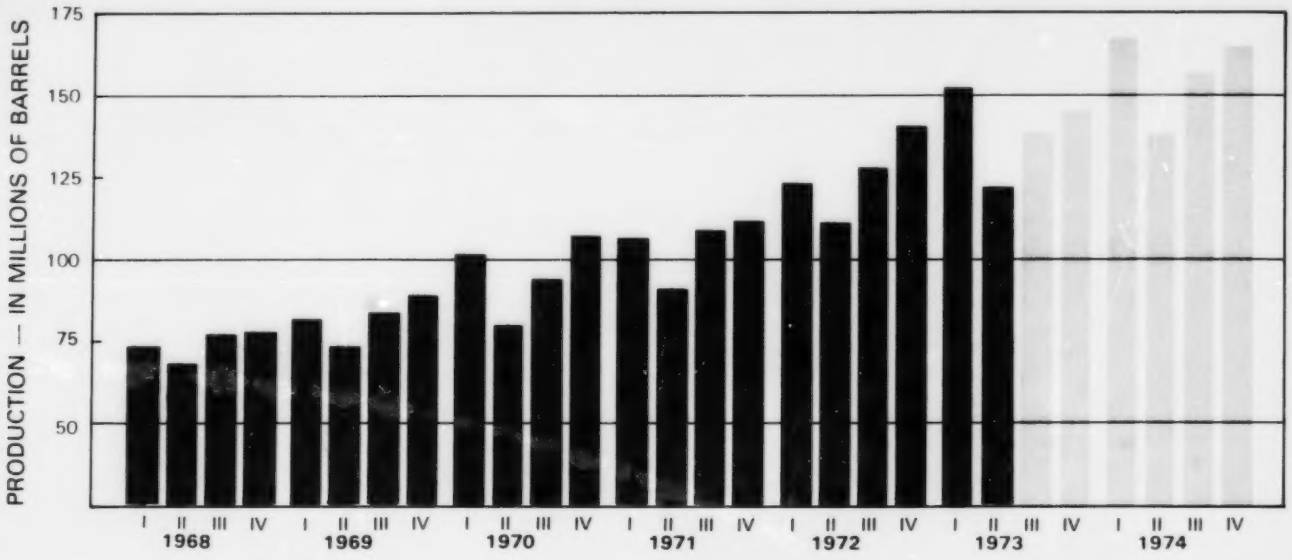
For 1974, similar performance is expected, given the above prospects for success in the southeast and foothills districts and further increased prices.

Natural Gas

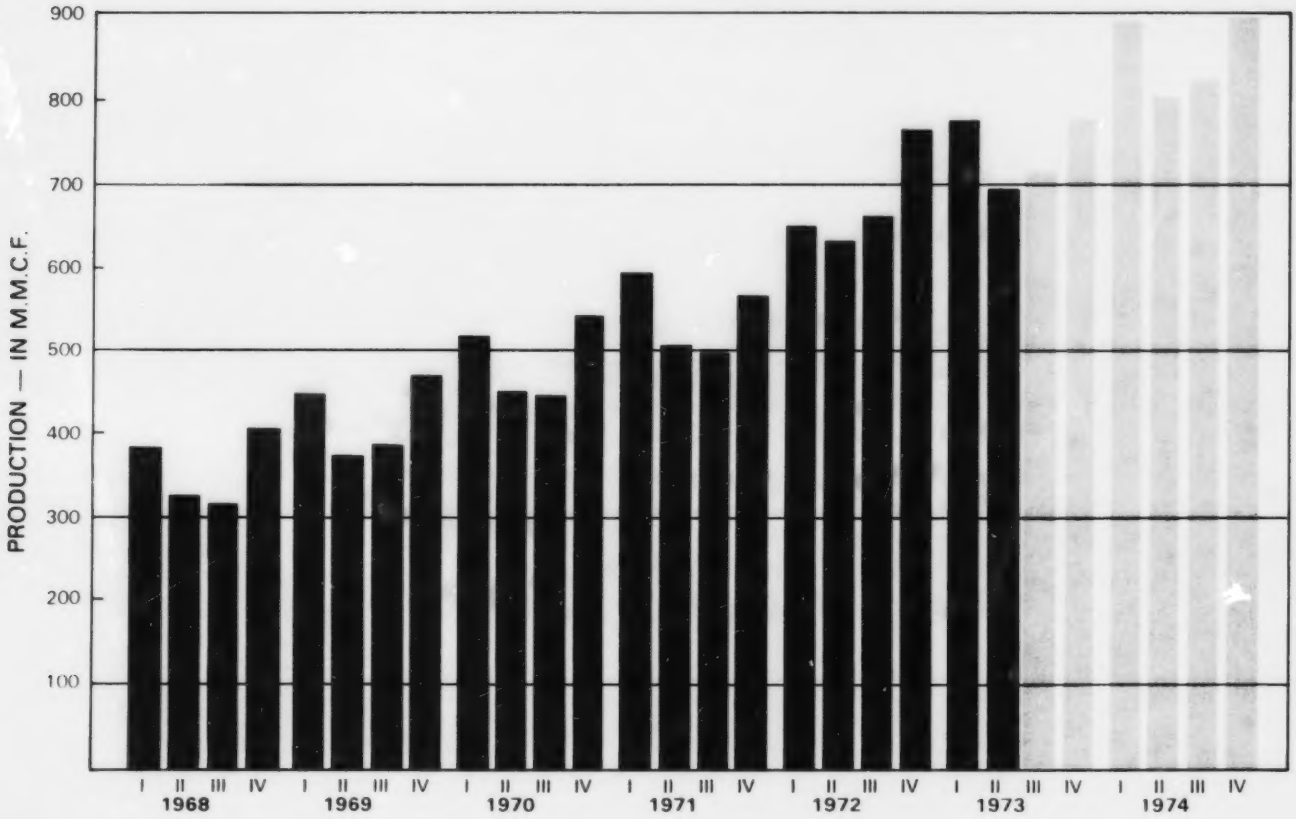
The production of natural gas in 1972 increased by about 17 per cent over 1971. A further increase of almost 20 per cent in natural gas production for 1973 in Alberta is anticipated. The remaining reserves of gas in Alberta are estimated by the Alberta Energy Resources Conservation Board to be 25 years of supply at 1972 production levels. As with conventional crude oil, the life index of natural gas has continued to decline over the past few years.

The present American energy shortage, and the continued increases in demand by Canadian consumers, and Canadian and U.S. utilities, has resulted in continued pressure to increase natural gas prices. Total sales of natural gas for residential purposes in Canada are expected to increase to 2.09 trillion cubic feet in 1973, up from the 1.9 trillion in 1972. Prospects for 1974 indicate a further increase to over 2.2 trillion cubic

PRODUCTION OF CRUDE OIL AND EQUIVALENT
ALBERTA, 1968 - 1974
(MILLIONS OF BARRELS)



PRODUCTION OF NATURAL GAS
ALBERTA, 1968 - 1974
(MILLIONS OF CUBIC FT.)



feet. Since 1968, Alberta producers have supplied an average of 75 per cent of all Canadian gas to Canadian consumers. Alberta is expected to supply Canadian customers with approximately 1.57 trillion cubic feet and 1.65 trillion cubic feet in 1973 and 1974 respectively.

Sulphur

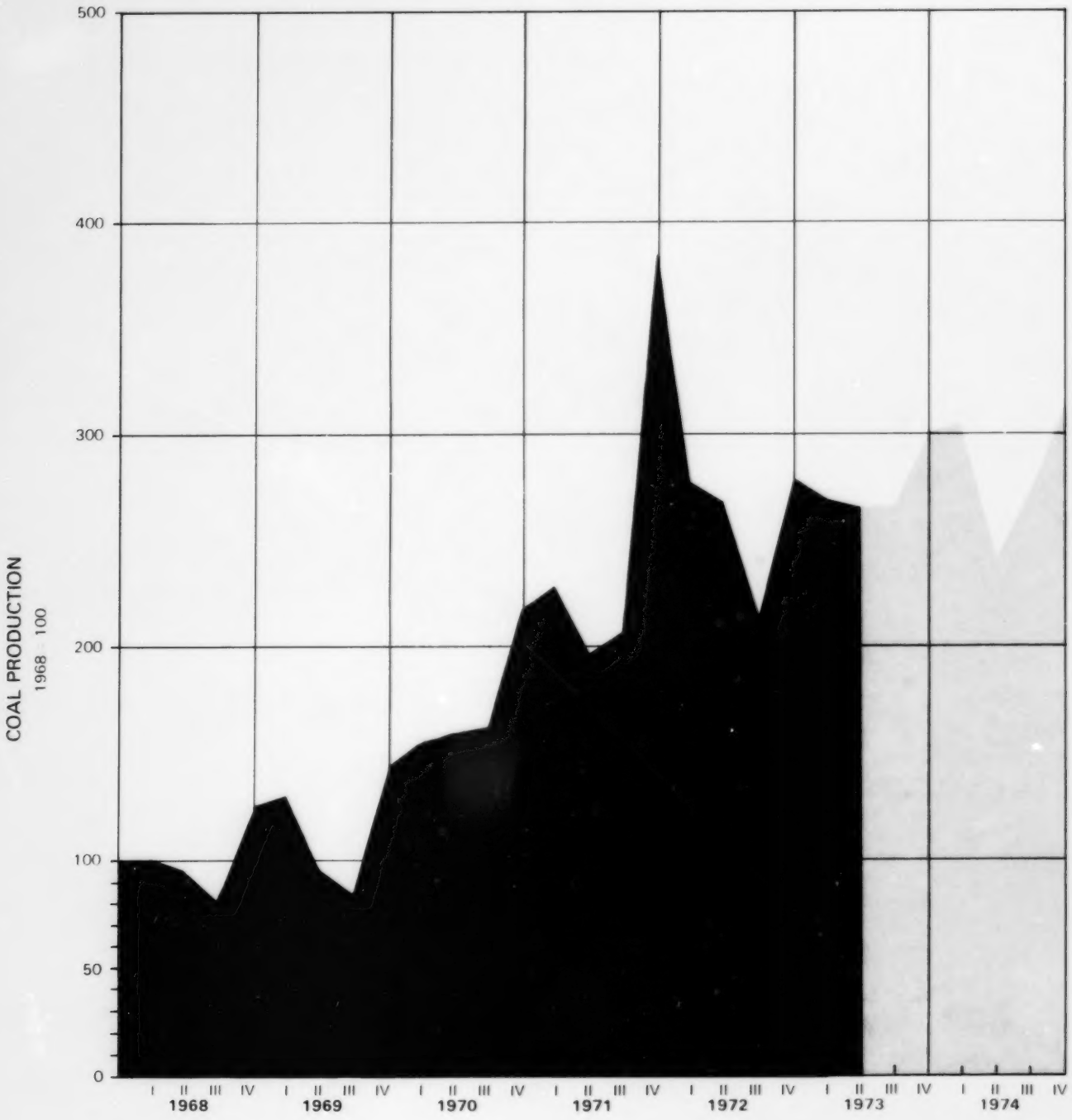
Sulphur production in Alberta in 1972 increased to over 6.5 million long tons, up by nearly 50 per cent over 1971. A price decline of $1.50 per long ton however, resulted in the decline of close to $1.5 million in the total value of sales. The prospects for 1973 for the sulphur market are for increased prices. Definite price improvement is expected for at least the next few years. Sulphur production in 1973 is expected to climb by 9 per cent to over 7 million long tons. Prospects for 1974 indicate an increase in production of close to 11 per cent to near 8 million long tons.

SULPHUR PRODUCTION ALBERTA 1968-1974

(millions of Long Tons)

Year	Production	Sales	Alberta Year-end Inventory (Plant)	Value of Sales ($mm)	Average Price F.O.B. Plant Long Tons
1968	3.0	2.2	1.3	76.3	$34.54
1969	3.7	2.6	2.3	58.9	$22.94
1970	4.2	3.1	3.4	27.4	$ 8.94
1971	4.5	2.7	5.1	19.2	$ 7.11
1972	6.6	3.1	8.8	17.7	$ 5.72
1973 (Forecast)	7.2	3.5	12.0	35.0	$10.00
1974 (Forecast)	8.0	-	-	-	-

INDEX OF COAL PRODUCTION
ALBERTA, 1968 - 1974
(1968 = 100)



Coal

Alberta's coal production of over 10 million tons in 1972 was 14 per cent above 1971's level. Sales of Alberta coal were valued at nearly $49 million, an increase of approximately 17 per cent over 1971.

Production of bituminous coal in Alberta in 1972 totalled 5.6 million tons, of which over 60 per cent was shipped to Japan. The remainder of total coal production was accounted for by 4.9 million tons of sub-bituminous coal. Nearly all of the sub-bituminous variety was sold to utility companies in Alberta for thermal generation of electricity.

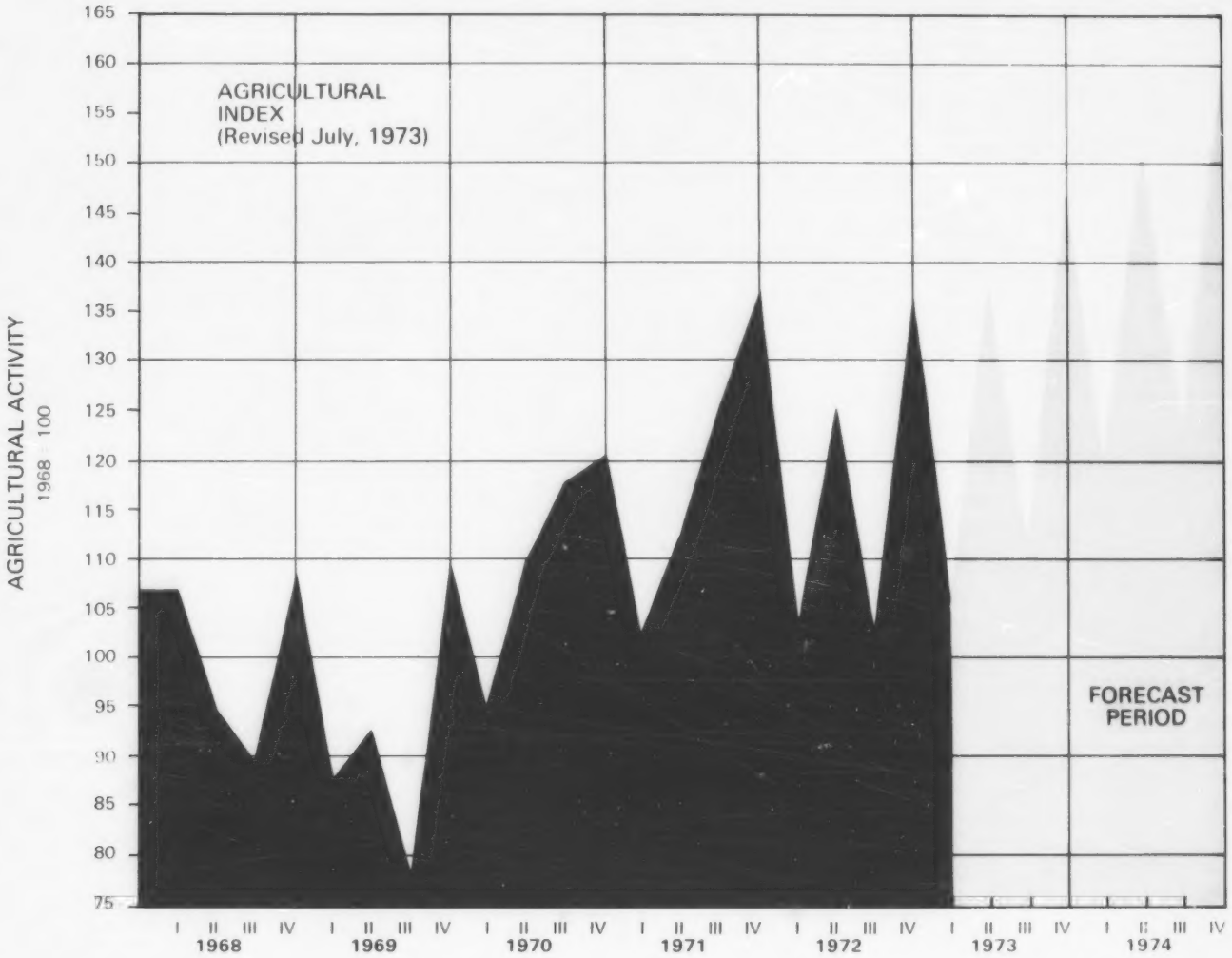
It is expected that the growth in the bituminous or coking coal sector of the industry will continue, but not at the rate of increase experienced in the last few years. New properties are currently being developed and preliminary contract negotiations with the Japanese are underway.

The strong expansion of the Japanese steel industry since the mid-1960's has resulted in Alberta bituminous coal contracts of over 4 million long tons, valued at over $75 million per annum over the next 10 or 15 years. Total shipments to Japan in 1973 and 1974 are expected to be close to 3.8 million and 4.3 million tons, valued at approximately $68 million and $70 million, respectively.

Given the strong demand for coal from Japan and the domestic thermal power plants as well, it is estimated that total raw coal production in Alberta in 1973 will increase by close to 15 per cent to nearly 12 million tons. Similar increases are expected in 1974.

Perhaps the greatest potential for the Alberta coal industry is in supplying thermal coal for power generation. According to the Alberta Energy Resources Conservation Board and the U.S. National Petroleum Council, coal will increasingly be relied upon for power generation. The low sulphur content of the Alberta coals is particularly attractive with regard to air pollution considerations, its high thermal content, and competitive price vs. natural gas.

INDEX OF AGRICULTURAL ACTIVITY
ALBERTA, 1968 - 1974
(1968 = 100)



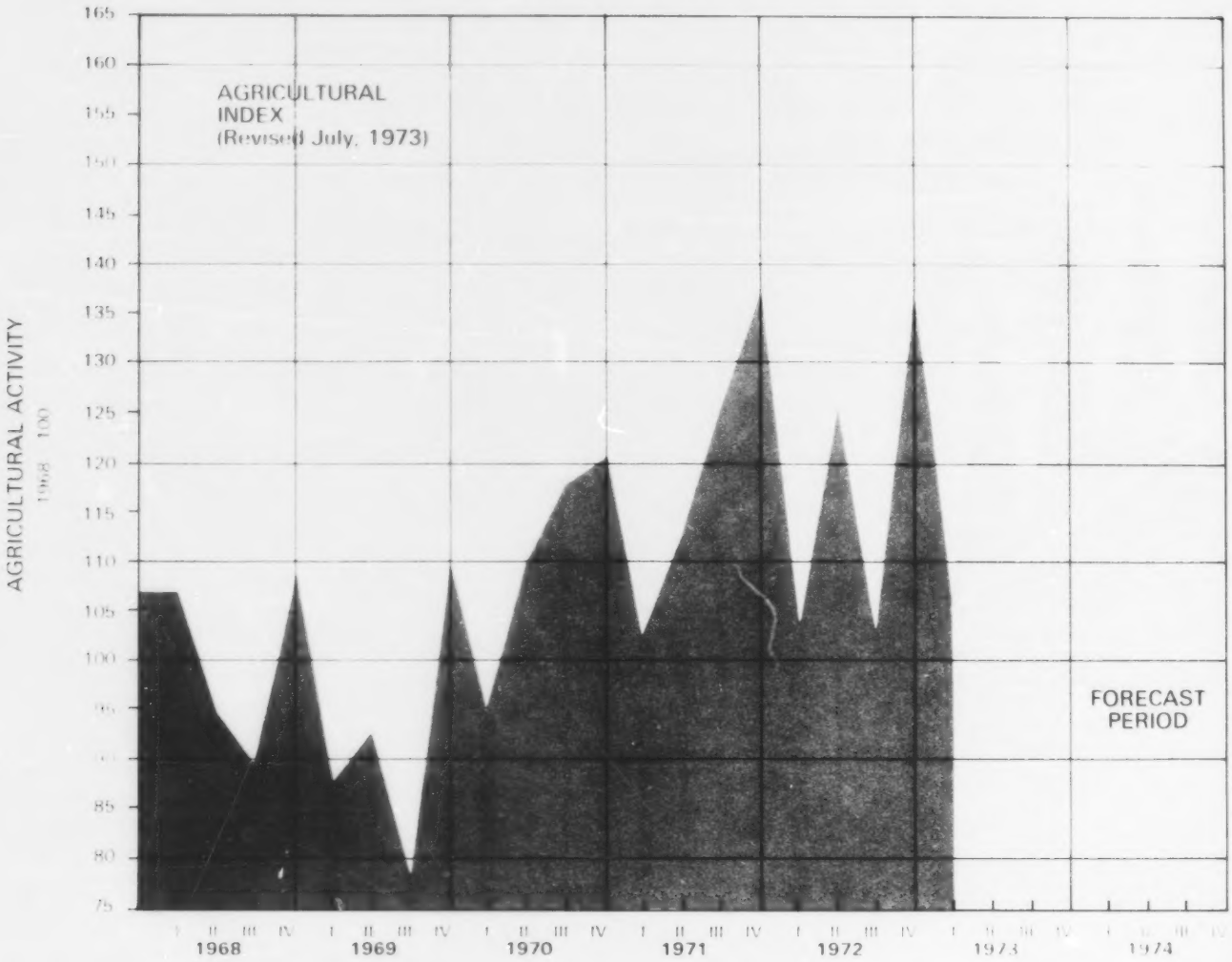
NOTE: THE AGRICULTURAL ACTIVITY INDEX IS A COMPOSITE OF GRAIN SHIPMENTS OUT OF THE PROVINCE, NUMBER OF LIVESTOCK SOLD AT PUBLIC STOCKYARDS AND MILK AND EGG PRODUCTION WEIGHTED BY THE CASH RECEIPTS FOR THE COMPONENTS IN 1968

THE AGRICULTURAL ACTIVITY INDEX — BY QUARTER — 1968 - 1974
(1968 = 100)

Year/Quarter	I	II	III	IV	Average
1968	106.9	94.8	89.2	108.8	100.0
1969	87.6	92.4	78.2	109.5	92.0
1970	94.9	109.6	117.9	120.2	110.7
1971	102.3	113.0	125.4	136.9	119.4
1972	102.3	126.0	102.8	135.4	116.6
1973*	104.3	137.6	112.3	146.7	125.2
1974*	120.4	150.2	122.5	160.2	138.3

* Forecast.

INDEX OF AGRICULTURAL ACTIVITY
ALBERTA, 1968 - 1974
(1968 = 100)



NOTE: THE AGRICULTURAL ACTIVITY INDEX IS A COMPOSITE OF GRAIN SHIPMENTS [illegible] LIVESTOCK SOLD AT PUBLIC STOCKYARDS AND MILK AND EGG PRODUCTION [illegible] FOR THE COMPONENTS IN 1968.

THE AGRICULTURAL ACTIVITY INDEX — BY QUARTER — 1968 - 1974
(1968 = 100)

Year / Quarter	I	II	III	IV	Average
1968	106.9	94.8	89.2	108.8	100.0
1969	87.6	92.4	78.2	109.5	92.0
1970	94.9	109.6	117.9	120.2	110.7
1971	102.3	113.0	125.4	136.9	119.4
1972	102.3	126.0	102.8	135.4	116.6
1973*	104.3	137.6	112.3	146.7	125.2
1974*	120.4	150.2	122.5	160.2	138.3

* Forecast.

AGRICULTURE

The favourable returns to farmers in Alberta brought about by higher prices for grains and livestock since the last half of 1971, were reflected in a 14 per cent increase in farm cash receipts in 1972. On the other hand, the Agricultural Activity Index, which averaged nearly 117 in 1972 was down slightly from 1971's average of 119, reflecting a similar level of production in both years.

Decreases in the number of livestock marketed accounted for the slight decline in the Index. Prospects for the Agricultural Sector are indicated by increases in the Index of 7.5 and 10 per cent for 1973 and 1974, respectively.

To the end of June, 1973, farm cash receipts in Alberta were nearly 30 per cent above the same period in 1972. Increased returns from crops and livestock of nearly 17 per cent and 40 per cent, respectively, mainly accounted for the increase. Prospects for 1973 indicate at least a 25 per cent increase in farm cash receipts which can be expected due to continuing high prices for livestock and grains. A number of factors such as livestock prices, the world wheat market, and the prices of other farm products, render any forecast of farm cash receipts tenuous at best for 1974. However, it is suggested that at least a 15 per cent increase in total farm cash receipts will be experienced in 1974.

Grain

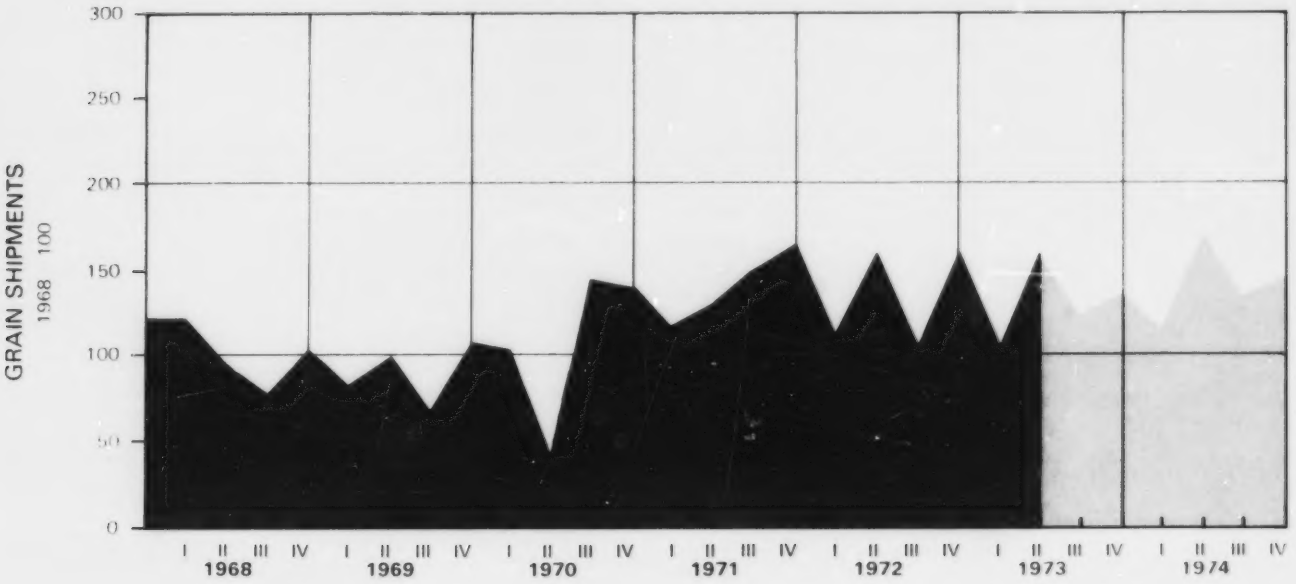
Up to April 11, 1973, the visible supply of wheat in primary grain elevators in Alberta was at its lowest level since 1968 due to exports of wheat and wheat equivalent, which were at an all time high in the first 8 months of the 1972-1973 crop year. Wheat and barley delivery initial payments were increased in 1972 by the Canadian Wheat Board and let to a substantial 16 per cent increase in cash receipts from grain in 1972. All delivery quotas were also made open prior to the end of the 1972-1973 crop year to allow for an increased flow of wheat to export.

Prospects for the grain sector for 1973 and into 1974 are encouraging. Recent wheat sales to the Soviet Union and the Peoples Republic of China, while down from previous levels, are still encouraging signs. Additional support for this optimism, is the report that 1973 seeding intentions for wheat acreage in Alberta were about 12 per cent above 1972. Recent declines in world stocks of wheat, coupled with doubt as to the size of the Soviet and Austrailian wheat crops, pushed prices to well over $4.00 per bushel in August, 1973, compared with under $2.00 at the same time in 1972. Prices however, could ease during the 1973-1974 crop year, if substantial yields are recorded from the world's 1973 harvest.

A very important source of world protein supplies is fishmeal, manufactured from Peruvian catches of fish. Latest reports estimate the total world exports of fishmeal in 1973 to be 1.7 million tons, nearly 1 million tons below 1972's total. This level is below any recorded between 1967 and

1971, and places pressure on U.S. stocks of protein meal. This coupled with the strong demand in the U.S. for feed supplements for poultry and beef, necessitated U.S. export controls on protein meals and vegetable oil.

INDEX OF GRAIN SHIPMENTS OUT OF ALBERTA ELEVATORS ALBERTA, 1968 - 1974 (1968 = 100)



The American export controls intensified the pressure on already tight supplies of poultry and livestock feed supplements. Due partly to the loss of soybean imports from the U.S., large price increases were experienced in Canadian supplies of protein supplement and feed grains. These increases were particularly acute in eastern Canada, which is largely dependent on imported supplies of soybean meal and corn.

In August of 1973, however, Canada was granted a special exemption from the American export controls on soybeans. This move will reduce

the pressure on domestic supplies of feed grains and feed supplements, and it is expected that prices will decline. Upward pressure on poultry and meat prices, could also be somewhat reduced.

In response to the uncertainty of supply of protein and oilseeds, the federal government announced that export licenses were required to export domestic rapeseed meal and soybean meal. It is extremely difficult to assess the impact of these two measures, but it should increase domestic supplies of protein supplements and oilseeds, thus somewhat reducing price pressures. Nevertheless, the prospects for rapeseed producers are favourable, due to the strong domestic and foreign demand for protein meal and oil. Shipments from Alberta elevators to the end of June are up over 30 per cent. Farm cash receipts from rapeseed for the same period have also risen by over 65 per cent from 1972.

Livestock

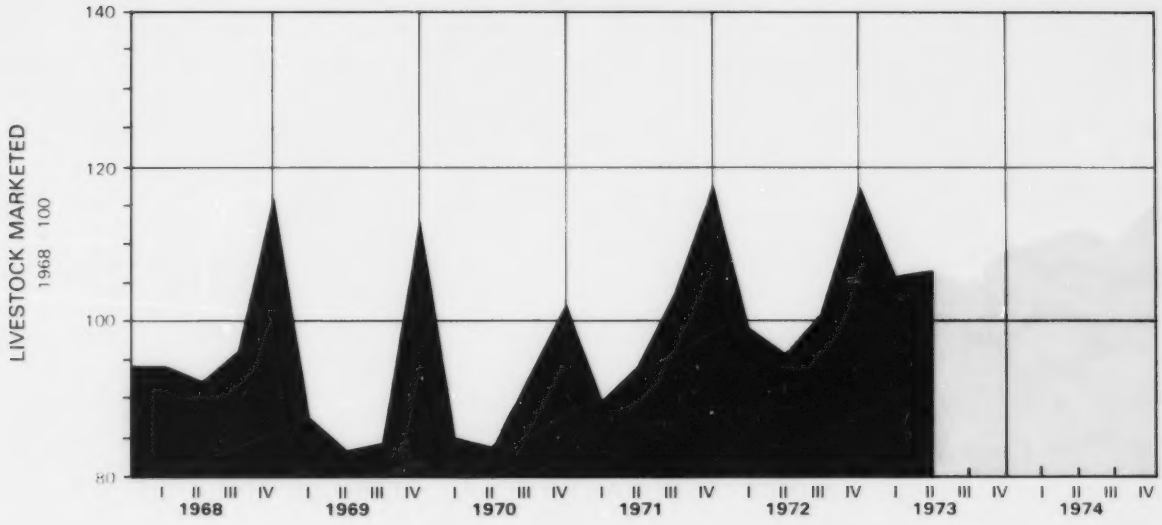
Strong cattle and hog prices in the last year stimulated the increase in farm cash receipts in 1972, with receipts from livestock up 9 per cent. Cattle prices have risen from May, 1972 to August, 1973 by 44 per cent in Calgary, with the short-term prospect of continuing high prices due to the strength in demand. Prospects for late 1973 and early 1974 are at best uncertain, depending upon the present U.S. situation. U.S. feed lot operators are reported to have reduced placements into feedlots as a result of price ceilings. Reduced feedlot placements, in the longer term, will have the effect of maintaining prices at a high level. Other factors, such as high

feed costs and the ban on the growth hormone, Diethylstilbestrol (DES), could delay marketings over the next few months.

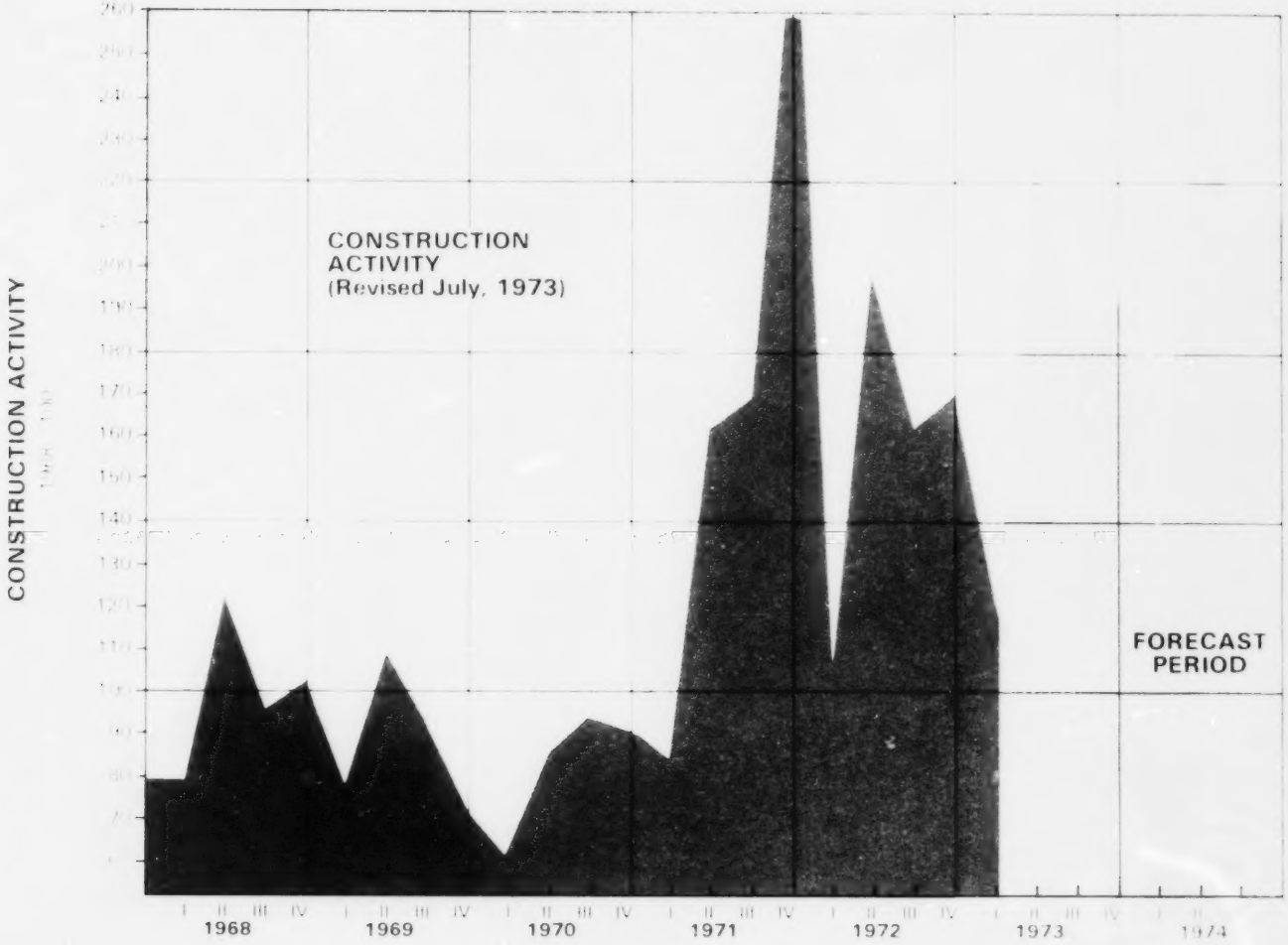
Hog marketings were down by nearly 12 per cent to the end of June, 1973, from the same period last year. Cash receipts from hogs however, were nearly 33 per cent above the same six months in 1972. The main reason for the drop in hog marketings was the rising feed grain and supplement costs. Since these costs are not expected to improve, the usual increase in marketings at this time of year has not yet emerged, and may not do so if feed grain prices remain strong. It is expected that world and domestic demand will continue to be strong and hog marketings will stay about equal to 1972 levels, resulting in sustained prices to the end of 1973. Prospects for 1974 indicate strong hog prices in 1974, with marketings about equal to those of 1973.

On August 13, 1973, the federal government established export controls on cattle, hogs and respective carcasses. Intended to bring down meat prices in Canada, these controls were temporary in order to re-establish a normal pattern in the Canada - U.S. meat trade. Some marginal declines in meat prices were noted in Alberta as a result of the controls. Since the U.S. removed its beef price ceiling on September 9, 1973, pork, beef and livestock markets, are re-establishing on a supply-demand basis, with livestock prices declining. Thus, the Canadian Government removed its export control measures on September 15, to allow the Canadian market to readjust.

INDEX OF LIVESTOCK MARKETED AT PACKING PLANTS AND PUBLIC STOCK YARDS ALBERTA, 1968 - 1974 (1968 = 100)



INDEX OF CONSTRUCTION ACTIVITY
ALBERTA, 1968 - 1974
(1968 100)

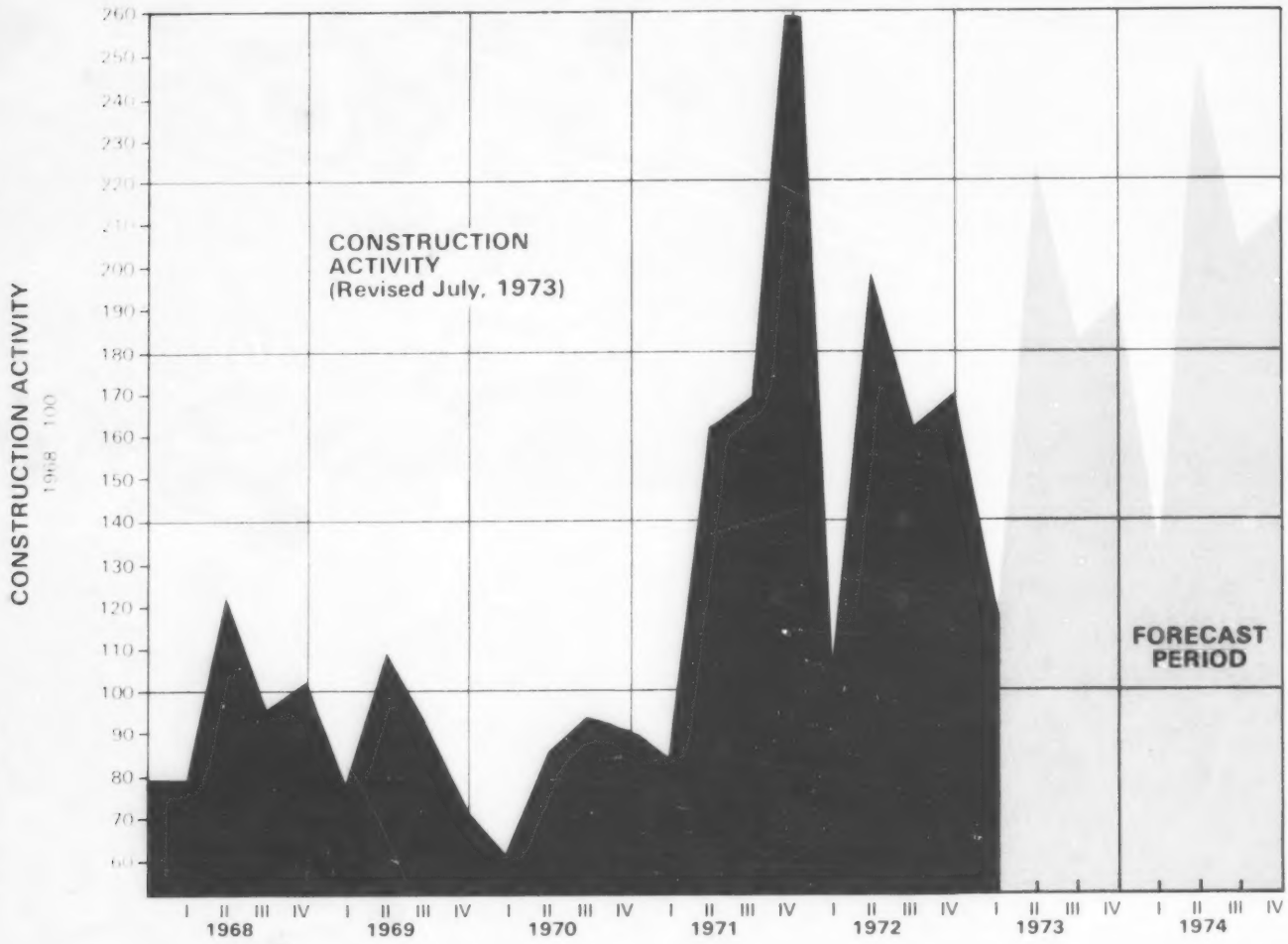


THE CONSTRUCTION ACTIVITY INDEX — BY QUARTER 1968 - 1974
(1968 100)

Year - Quarter	I	II	III	IV	Average
1968	79.3	122.3	96 2	102.7	100 0
1969	77.2	109 8	92 6	72 9	88 1
1970	61.9	86.9	94 2	92 0	83 8
1971	84.7	161.2	167 2	279 4	173 1
1972	105.5	197.4	161 7	170 0	158 7
1973*	118.2	221.1	181 1	190 3	177 7
1974*	132.6	248.1	203 3	213 6	199 4

* Forecast.

INDEX OF CONSTRUCTION ACTIVITY
ALBERTA, 1968 - 1974
(1968 = 100)



NOTE: THE CONSTRUCTION ACTIVITY INDEX IS A COMPOSITE OF SQUARE FOOTAGE OF RESIDENTIAL, COMMERCIAL AND INDUSTRIAL AND INSTITUTIONAL CONTRACT AWARDS, AND DEFLATED DOLLAR VALUE OF ENGINEERING CONSTRUCTION. THE COMPONENTS WERE THEN WEIGHTED USING CURRENT DOLLAR VALUES AS WEIGHTS.

THE CONSTRUCTION ACTIVITY INDEX -- BY QUARTER — 1968 - 1974
(1968 = 100)

Year/Quarter	I	II	III	IV	Average
1968	79.3	122.3	96.2	102.7	100.0
1969	77.2	109.8	92.6	72.9	88.1
1970	61.9	86.9	94.2	92.0	83.8
1971	84.7	161.2	167.2	279.4	173.1
1972	105.5	197.4	161.7	170.0	158.7
1973*	118.2	221.1	181.1	190.3	177.7
1974*	132.6	248.1	203.3	213.6	199.4

* Forecast.

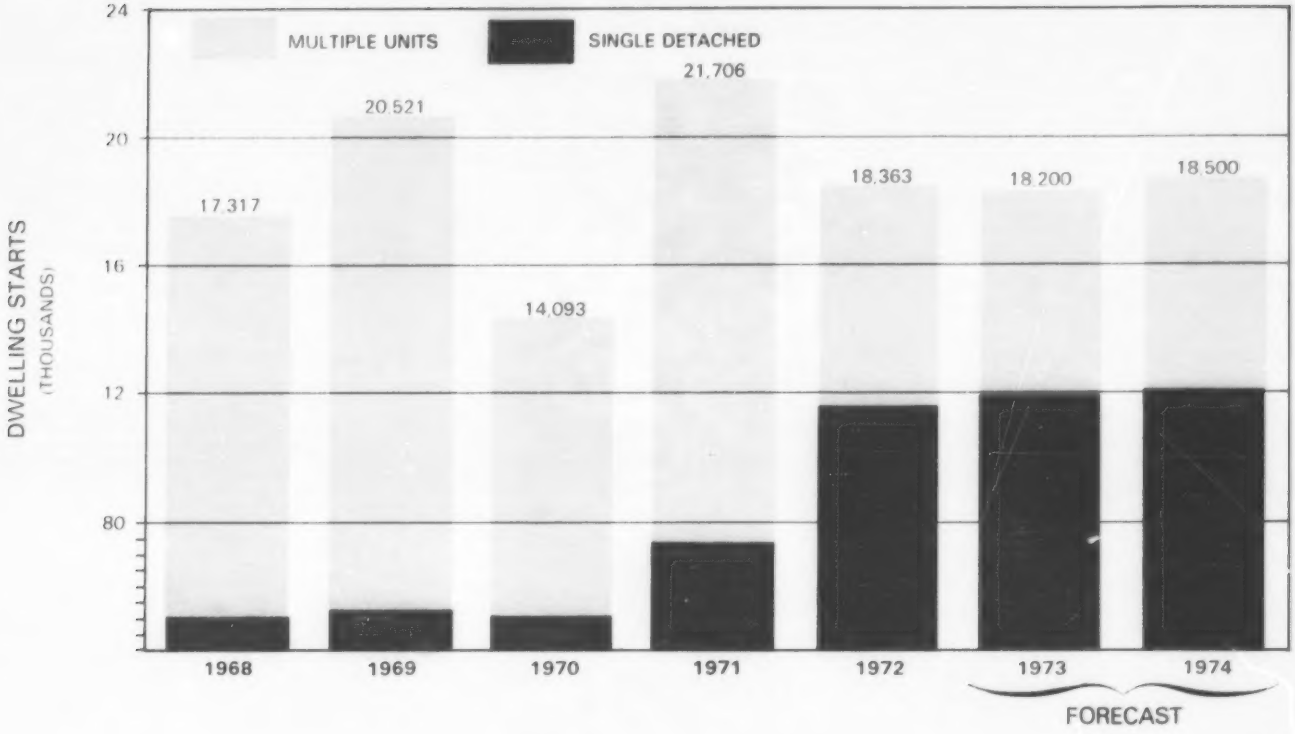
CONSTRUCTION

New construction expenditures in Alberta in 1973 are expected to rise to $1.8 billion, an increase of approximately 8 per cent over 1972. Total expenditures on new construction and repairs in Alberta for 1973 are forecast to increase by nearly $169 million to $2.1 billion, an increase of 9 per cent from 1972. This increase and a similar increase in 1974 should bring the average quarterly Index of Construction Activity to close to 178 and 199 in 1973 and 1974, respectively. These levels reflect expected increases in construction activity of over 12 per cent in each year. With the addition of the Syncrude plant, construction activity in 1974 could easily surpass this initial forecast.

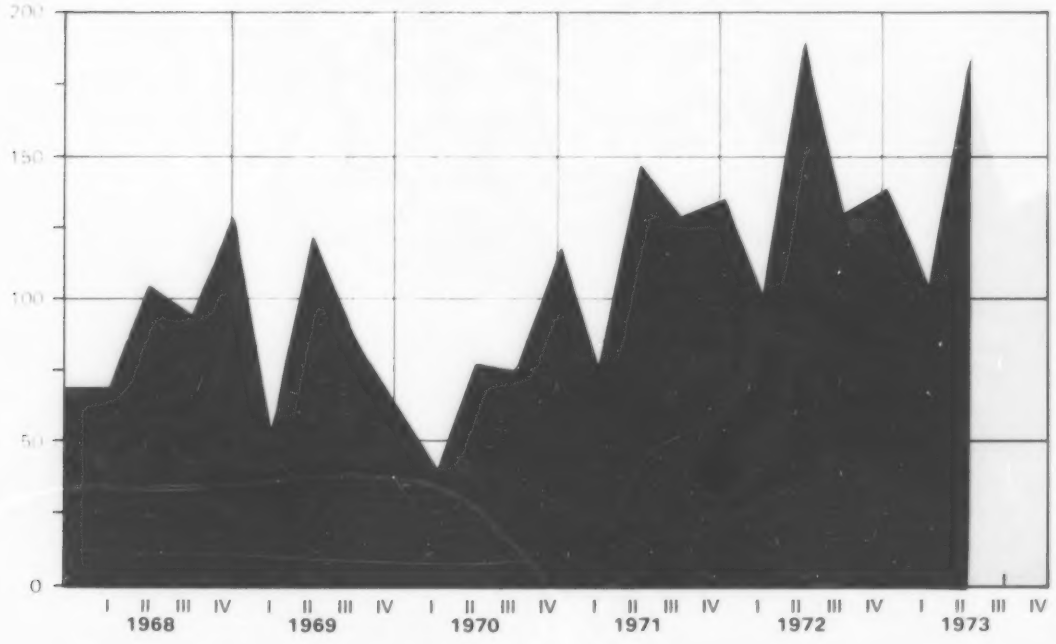
Urban dwelling starts, are expected to decline to less that 18,000 units, down from the 1972 total of 18,363. Intentions reported in the latest Statistics Canada and Department of Industry, Trade and Commerce investment survey, also indicate a decrease in the total dollar value of new residential construction by $54 million. The levelling-off of housing activity in Alberta is also reflected in the prospects for residential contract awards in 1973. Following the surge in housing starts in 1971, 1972 awards remained slightly above 1971 levels. Residential contract awards for 1973 are expected to approximate 1972 levels or be slightly below. A slight recovery however, is forecast for residential construction in 1974.

Housing costs are expected to increase during 1973, by more than the 7 per cent increase experienced during 1972. Labour and material costs, which increased by over 10 per cent during 1972, are expected to maintain this same

URBAN DWELLING UNIT STARTS
ALBERTA, 1968 - 1974



RESIDENTIAL CONSTRUCTION CONTRACT AWARDS
ALBERTA, 1968 - 1973
(1968 = 100)



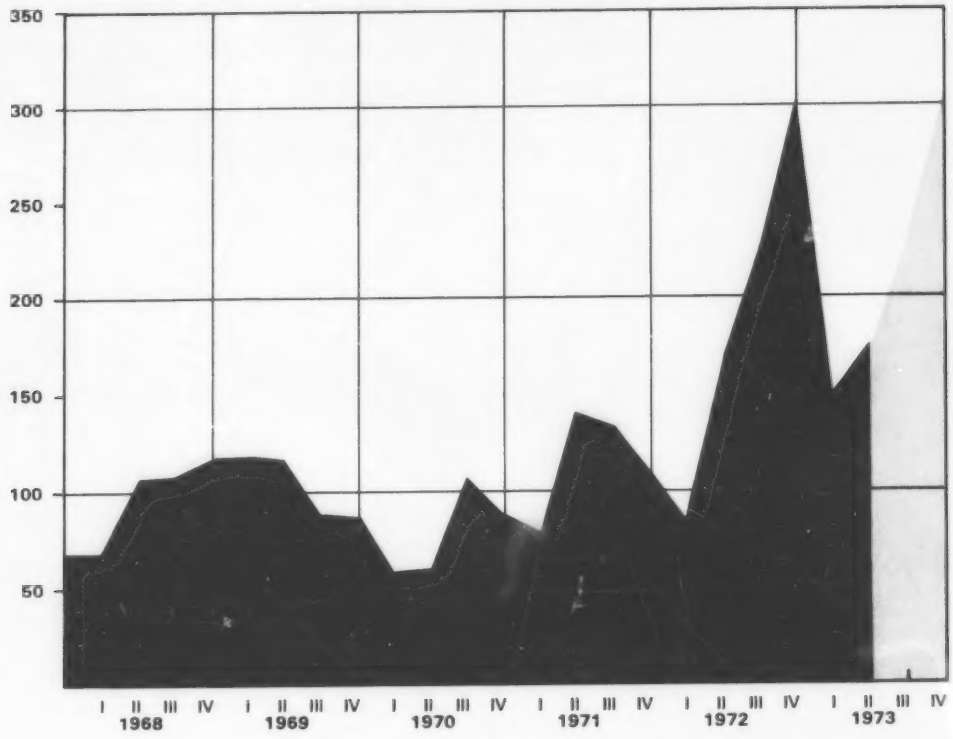
rate of growth throughout the year. However, housing prices will rise not only because of construction costs, but also due to the continuation in the relatively strong demand for housing throughout Canada in 1973.

In 1972, institutional contract awards (on a square foot basis) declined with most of the increases in awards experienced in the commercial, industrial and the engineering group. Institutional construction activity in 1973 is expected to be steady at 1972 levels. In the last half of 1972, commercial and industrial awards (on a square foot basis) increased substantially over the same period in 1971. This means that a high level of industrial and commercial construction activity can be expected for the remainder of 1973 and for 1974.

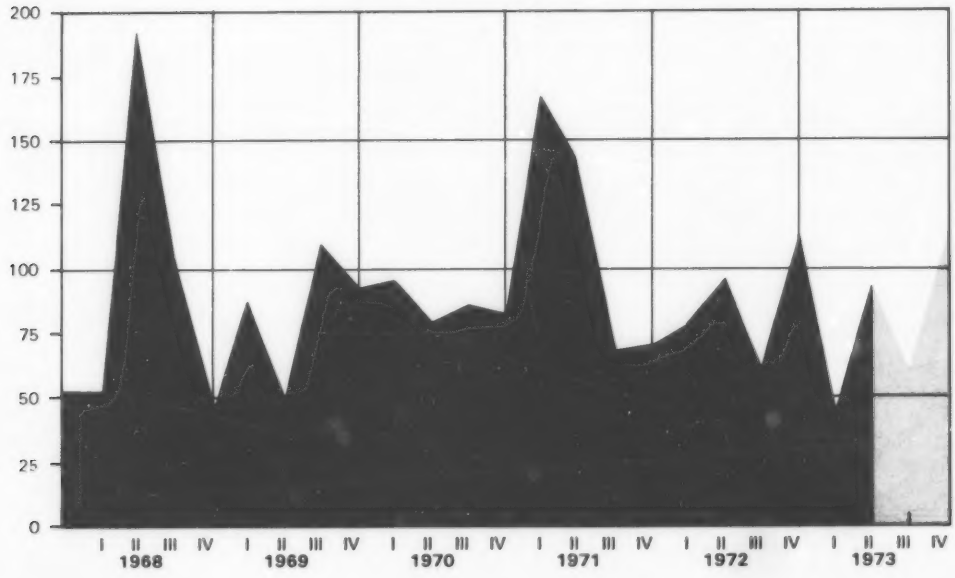
Capital construction expenditures by the oil and gas companies of Canada are expected to total $831 million in 1973, an increase of approximately 14 per cent from 1972. On the other hand, expenditures on oil and gas pipelines are expected to decline by 21 per cent to near $370 million in 1973.

In Alberta, gas plant construction totalled in excess of $110 million in 1972. Due to the lack of large gas field discoveries, and current uncertainties, the capital value of gas plant construction of 1973 is expected to drop off considerably. Oilweek forecasts the value of gas plant construction activity in Canada to about $80 million. In addition, Oilweek forecasts total pipeline construction activity to be about 5,000 miles, the lowest level in several years, due to a decline in construction by Trans Canada Pipelines and NEB limits

COMMERCIAL AND INDUSTRIAL CONSTRUCTION CONTRACT AWARDS
ALBERTA, 1968 - 1973
(1968 = 100)



INSTITUTIONAL CONSTRUCTION CONTRACT AWARDS
ALBERTA, 1968 - 1973
(1968 = 100)

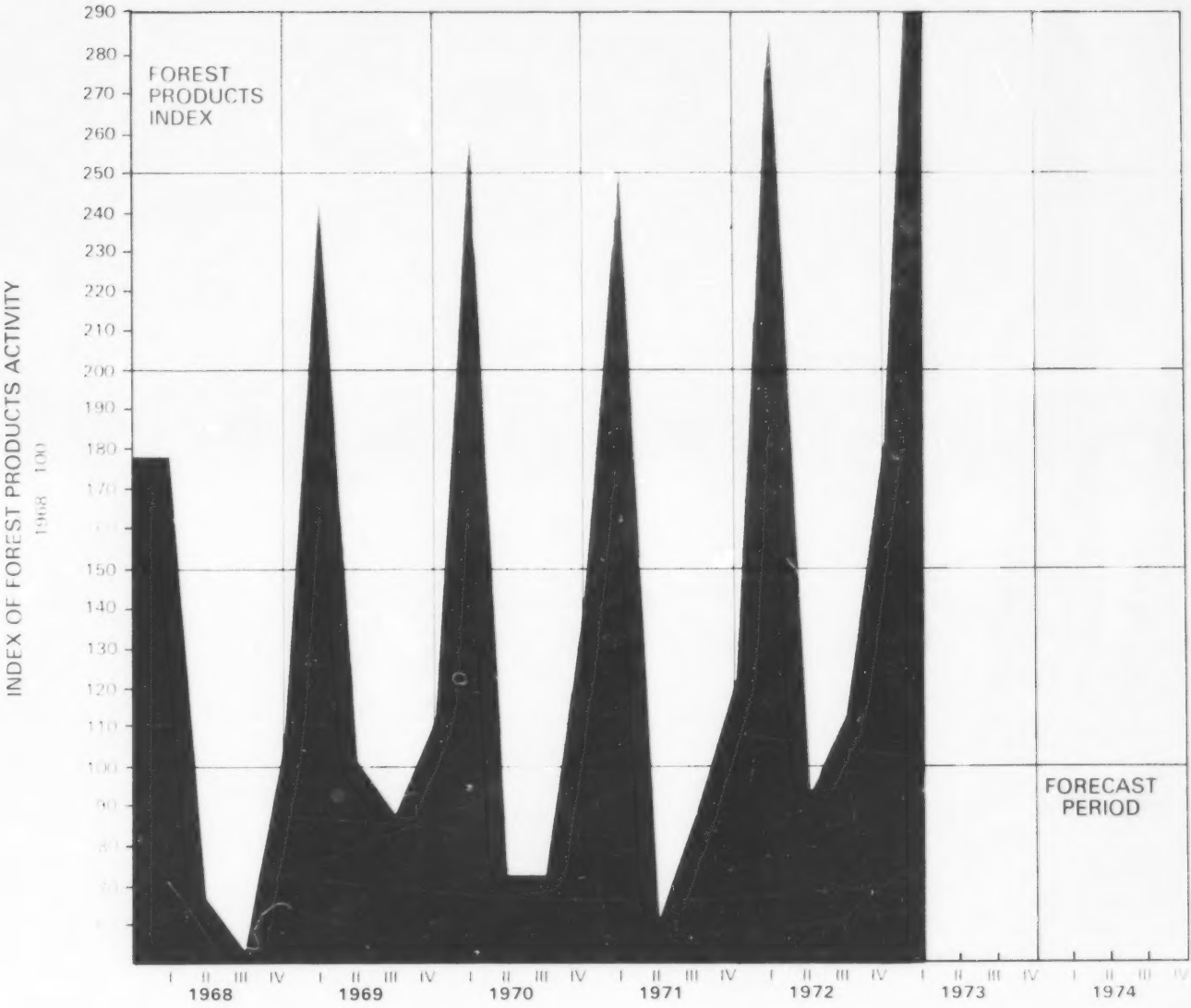


on gas exports and oil export limitations imposed in March, 1973.

The construction of the $200 million-plus Imperial Oil refinery in Edmonton, is proceeding on schedule, with the completion date set for late 1974. This plant should substantially increase the refinery capacity in Alberta, with tentative production levels set at 140,000 barrels per day. Oilweek estimates that this production will result in a net addition to refinery capacity in Western Canada of 26,000 barrels per day, even though smaller refineries will be closed down.

On September 18, 1973, the announcement was made to initiate construction of its estimated $1 billion oil extraction plant, pipeline and power plant in the Athabasca Oil Sands near Fort McMurray, Alberta. Construction is expected to start in 1974 with full production expected sometime in 1978. The construction of the plant could be the first in a long series of such projects. It is expected that there will be more rapid development of the oil sands than at first anticipated, due to increasing world demand for oil and the development of appropriate extraction technologies.

INDEX OF FOREST PRODUCTS ACTIVITY
ALBERTA, 1968 - 1974
(1968 = 100)



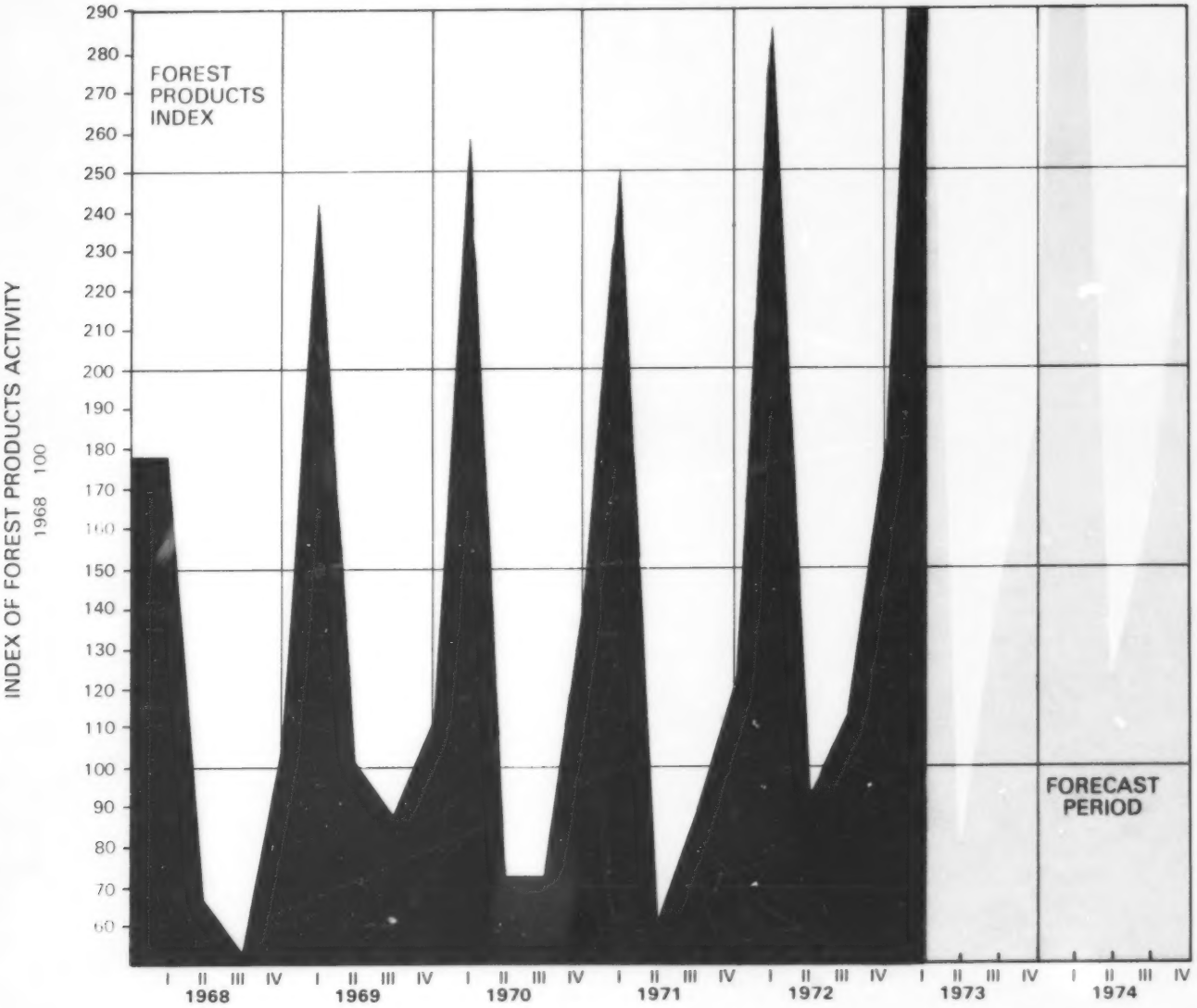
NOTE: THE FOREST PRODUCTS ACTIVITY INDEX IS A COMPOSITE OF LUMBER PRODUCTION AND PULP/WOOD PRODUCTION IN ALBERTA, WEIGHTED BY VALUE OF PRODUCTION

THE FOREST PRODUCTS ACTIVITY INDEX — BY QUARTER — 1968 - 1974
(1968 = 100)

Year / Quarter	I	II	III	IV	Average
1968	177.6	66.3	52.1	103.9	100.0
1969	240.1	101.7	87.5	110.9	135.1
1970	257.2	72.5	72.5	141.6	136.0
1971	252.2	60.3	88.8	121.7	130.8
1972	288.8	92.3	113.3	183.0	169.4
1973*	407.6	77.9	142.6	187.4	203.9
1974*	437.3	121.1	162.2	242.1	240.7

* Forecast.

INDEX OF FOREST PRODUCTS ACTIVITY
ALBERTA, 1968 - 1974
(1968 = 100)



NOTE: THE FOREST PRODUCTS ACTIVITY INDEX IS A COMPOSITE OF LUMBER PRODUCTION AND PULPWOOD PRODUCTION IN ALBERTA, WEIGHTED BY VALUE OF PRODUCTION.

THE FOREST PRODUCTS ACTIVITY INDEX — BY QUARTER — 1968 - 1974
(1968 = 100)

Year/Quarter	I	II	III	IV	Average
1968	177.6	66.3	52.1	103.9	100.0
1969	240.1	101.7	87.5	110.9	135.1
1970	257.2	72.5	72.5	141.6	136.0
1971	252.2	60.3	88.8	121.7	130.8
1972	288.8	92.3	113.3	183.0	169.4
1973*	407.6	77.9	142.6	187.4	203.9
1974*	437.3	121.1	162.2	242.1	240.7

* Forecast.

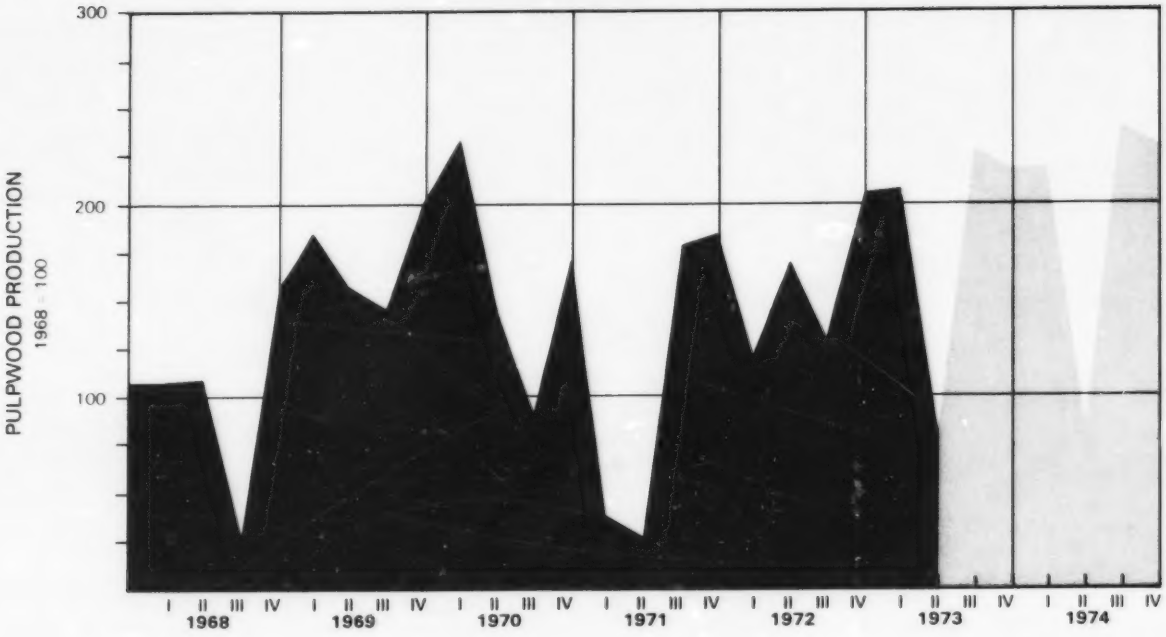
FORESTRY

The expanding activity in the forest products industry in Alberta in 1972 has continued into 1973. The Forest Products Activity Index, which reached 407.6 in the first quarter, was a full 41.0 per cent above the corresponding figure last year. The production of pulpwood led the expansion with the first quarter Index of Pulpwood Production at 208.9 showing a 70 per cent increase over the 1972 figure. Coincident with this performance in the pulpwood sector, was the increase shown in lumber production which is expected in 1973 to increase by about 21 per cent over 1972's level. All lumber mills in Alberta are operating at, or near capacity. The outlook for the rest of 1973 and into 1974 is very favourable.

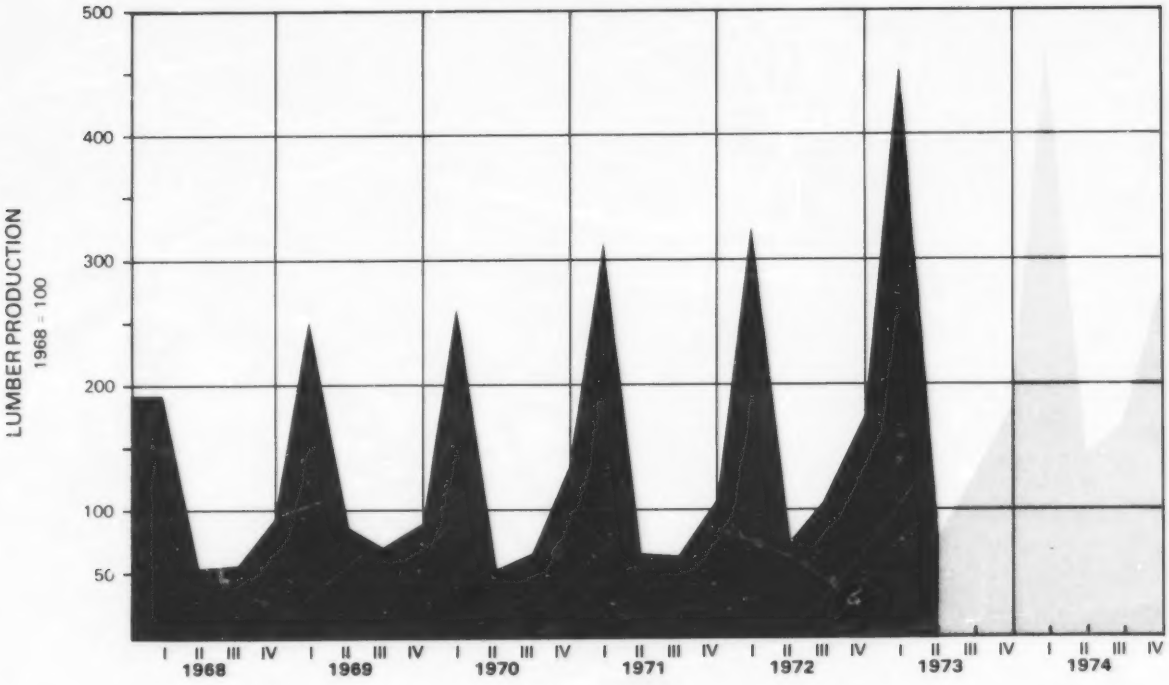
The strength in pulpwood production and the prospects for lumber should bring the average quarterly value for the Forest Products Activity Index for 1973 to 203.9, 20 per cent over the 1972 level of 169.4. The Index for 1974 is expected to increase by a further 18 per cent to an average quarterly value of 240.7.

Our forecast of the Forest Products Activity Index for 1973 and 1974 is extremely optimistic and predicated upon several emerging events. In 1973, pulpwood production will be considerably above 1972's level due to inventory stockpiling for the new pulpmill near Grande Prairie. Although production will likely level off somewhat in 1974, it will be maintained at levels above the 1973 level stimulated by the strong aggregate demand for paper products throughout North America.

INDEX OF PULPWOOD PRODUCTION
ALBERTA, 1968 - 1974
(1968 = 100)



INDEX OF LUMBER PRODUCTION
ALBERTA, 1968 - 1974
(1968 = 100)



The performance of the Alberta lumber industry is largely dependent on U.S. market conditions. The sharp rise in residential construction in the U.S. in the early seventies has reflected an accumulation of mortgage funds, a surge in Federal housing subsidies, and the low level of housing starts during the late sixties. These factors are expected to result in further increases in dwelling starts in the U.S. in the near future. For the years 1973 through 1980, new units started are expected to total over 16.6 million, an average of nearly 2.1 million per year. This latter figure compares with an average of less than 1.6 million for the years 1965-1972.

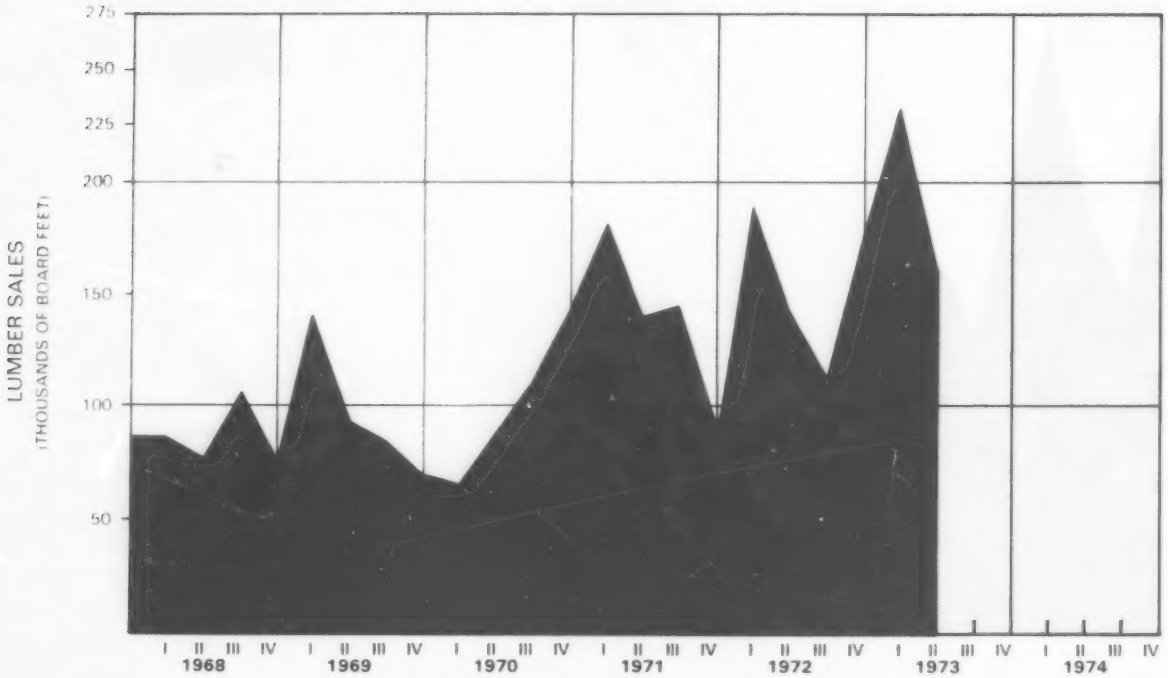
Exports

While the United States is a net exporter of logs, it is also a net importer of all forest products, especially lumber. In 1971 the volume of imports was more than double that of exports for all forest products. For lumber, the imports were more than six times the value of exports. The U.S. will continue to depend heavily on further development of Canadian forest resources to meet wood requirements, especially softwoods.

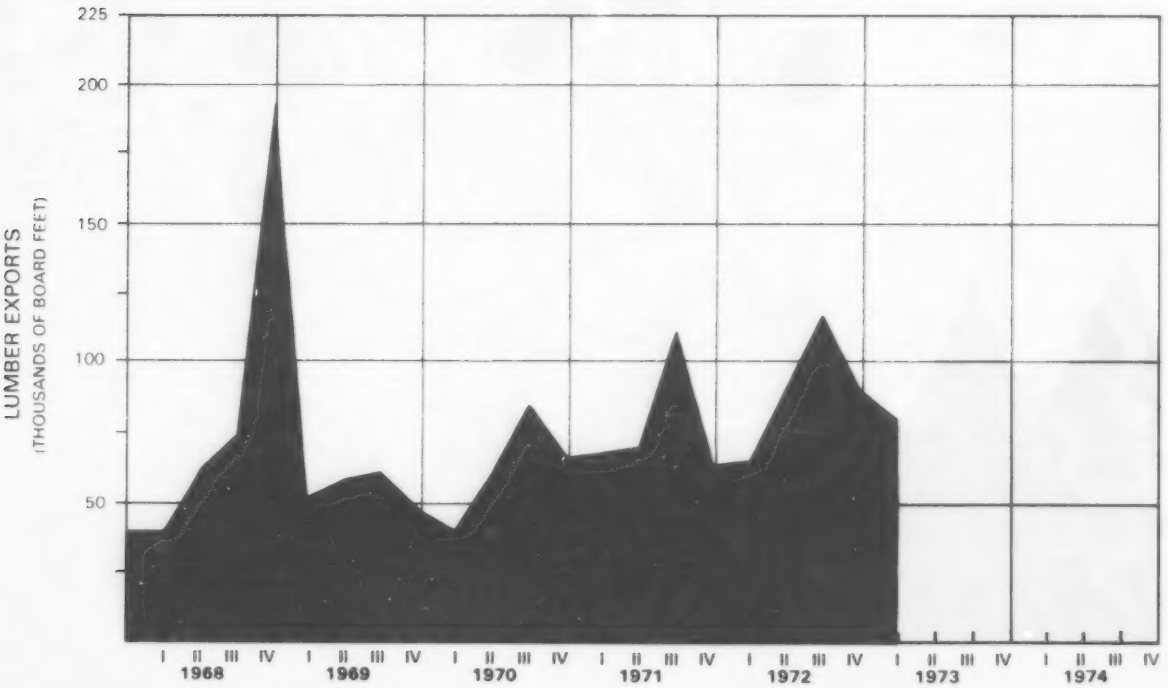
Until recently, one of the constraints to greater Canadian lumber shipments to Japan has been the variety of special sizes required. The Japanese Government has opened the way for acceptance of 2 x 4 studs as a construction standard in 1975. If the 2 x 4 method becomes widespread, lumber imports could increase rapidly from Canada.

Currently, the Japanese import about 60 per cent of their lumber from Canada. The Japanese market offers potential, as indicated by strong

SALES OF ALBERTA LUMBER
ALBERTA 1968 - 1974
(MILLIONS OF BOARD FEET)



LUMBER EXPORTS
OUT OF ALBERTA, 1968 - 1974
(MILLIONS OF BOARD FEET)



purchases by the Japanese in B.C. in recent months. Exports of logs from Alberta and B.C. are restricted, by statute, so the Japanese are having the logs custom-cut, especially in B.C. One industry official reports Japanese demand is about 15-20 per cent of total B.C. capacity.

The market for Alberta sawn lumber is currently strong in the U.S. Since there are not tariff restrictions on sawn timber shipped to the U.S., about 60 per cent of Alberta production is destined for the eastern and south-eastern states. Growing demand is evident in Eastern Canada for Alberta lumber, and the possibility exists for Japanese exports. Although the latter is speculative at present, it could become a reality later. Apparently, 1973 is the 3rd year of a five year program to build 9.5 million new housing units in Japan, a country which is strongly dependent upon imported forest products. Prefabricated homes are currently being shipped to Japan from B.C., which would suggest other opportunities for Alberta producers.

Recent reports indicate the prices for western Canadian lumber will be maintained at, or slightly below, 1972 levels. For example, the price at Alberta mills at mid year was 23 per cent higher than in January, and is expected at least to stay close to this level due to strong demand by international buyers and price controls in the U.S., which have placed American producers at a comparative disadvantage.

There are two projects under construction in the forest sector at mid year with a capital cost of $6 million. Major developments are in the planning

stages for the Slave Lake and Whitecourt-Fox Creek regions, and a further expansion is expected in the Edson Forest District, within the next two years.

TRANSPORTATION

The Transportation Industry has experienced a growth rate of almost 10 per cent per year since 1968, with most of the increase accounted for by increased rail, air, and land cargo shipments from points in Alberta.

Prospects for the Transportation Industry for 1973 and 1974 are for increases of approximately the same amount anticipated for retail trade and manufacturing activity in Alberta, that is by about 10 per cent per annum. In 1973, railway revenue freight should equal a total of 28 million tons, and be approximately 30 million tons in 1974.

Further growth is also expected in truck transport activity in 1973 and 1974. There was a 6 per cent increase in the registration of trucks and truck tractors in Alberta in 1971. It is expected that total registrations will again increase by over 6 per cent to nearly 241,000 in 1972. To the end of June, 1973, commercial vehicle sales are reported to be in excess of 28 per cent from the same period in 1972. As well, the number of commercial motor vehicles financed to the end of June, 1973, is up by 25 per cent from the same period in 1972.

Along with the growth in land transport, has been growth in the cargo shipped by airlines from airports in Alberta. To the end of 1972, total cargo by airlines originating in Alberta totalled over 11 million pounds, an increase of 7 per cent from 1971 and substantially above 1970.

For 1973 and 1974, further increases in transportation activity similar to those of 1972 are expected. Construction of the Syncrude plant will increase traffic to northeastern Alberta.

TRAVEL

In Alberta, travel expenditures have grown from an estimated $142 million in 1961 to an estimated $298 million in 1971, an increase of nearly 8 per cent per year. The first half of the decade witnessed a growth rate of roughly 6 per cent yearly, while the average annual increase in the second half accelerated to over 9 per cent.

Over the next decade Travel revenues are expected to increase at an annual average of 10 per cent, so that travel expenditures could be in the order of nearly $400 million in 1974. Because travel is sensitive to income changes, however, even a minor economic slowdown could create a significant decline in the rate of expansion. On the other hand, the next few years could witness a larger than average growth in travel expenditures because of the R.C.M.P. Centenary Celebrations and the British Commonwealth Games. Of course, the attainment of this high level of predicted travel expenditures, depends upon the continued development of Alberta's potential travel facilities, which in turn, depend upon the financial resources available for investment in the industry. Unfortunately, comprehensive data does not exist on current or planned investment in travel related facilities. However, one indication is provided by the amount spent on new construction of hotels, clubs, restaurants, cafeterias and tourist cabins in Alberta, which has averaged roughly $7.75 million per annum from 1966 through 1972.

The expected growth of the Travel Industry is particularly encouraging

because it is one of the most labour intensive industries in Alberta, reflecting the increasing importance of service sector employment to the Alberta economy.